

# Butte County Grand Jury

Annual Report - 2015 - 2016



# **Butte County Grand Jury**

## **2015-2016**

## **Final Report**

Superior Court of California  
County of Butte  
JUN 02 2016  
Kimberly Fiener, Clerk  
By K. R. Deputy



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

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

**May 26, 2016**



Arrangement of artwork by David Fowler from Ogallala, NE

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*Butte County*  
**GRAND JURY**

P.O. Box 110  
Oroville, CA 95965

The Honorable Robert A. Glusman  
Presiding Judge, Superior Court of California, County of Butte

Dear Judge Glusman,

On behalf of the 2015-2016 Butte County Grand Jury, it is my honor and privilege to present our Final Report for your review and consideration.

We are grateful this year for the use of the rooms at the Butte County Public Law Library in Oroville.

We wish to thank the officials who made presentations to the Grand Jury. We especially thank the County Counsel and the Court staff. They always assisted us in a helpful and professional manner.

I would like to thank my fellow Grand Jury members for their service and dedication which has made this Report possible.

I Salute You All.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Paul Lentz".

Paul Lentz, Foreperson

2015-2016 Butte Grand Jury

## **2015-2016 BUTTE COUNTY GRAND JURY MEMBERS**

Paul Lentz	Chico	Foreperson
Carroll Ragland	Oroville	Foreperson Pro Tem
John Hantelman	Paradise	Recording Secretary
Patricia Gobin	Paradise	Corresponding Secretary
Darlene Davidson	Paradise	Treasurer
Laurie Truitt	Paradise	Sergeant at Arms
Caryn Albrecht	Chico	
Jennifer Blue	Chico	
Timothy Davis	Chico	
Mary Fox	Chico	
Jay Goodrich	Paradise	
Debra Henley	Paradise	
Leatha King	Chico	
Leland Lyon	Chico	
Judy McInturf	Oroville	
Ann Pollock	Paradise	
John Rhein	Durham	
Robert Talerico	Chico	
Loy Watkins	Chico	

We also wish to acknowledge those Jurors who served briefly on the 2015-2016 Grand Jury, who due to unforeseen circumstances, had to resign.

# **2015-2016 BUTTE COUNTY GRAND JURY**

## **FINAL RESOLUTION**

**Whereas, the 2015-2016 Butte County Grand Jury** has conducted the business of its term and has reached certain conclusions, and

**Whereas, the 2015-2016 Butte County Grand Jury** desires to disclose the substance of those conclusions for the benefit of local government, its agencies and the citizens of Butte County.

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

The above resolution **passed and adopted** by the 2015-2016 Butte County Grand Jury at the Butte County Superior Court in Oroville on the 26<sup>th</sup> day of May 2016.

A handwritten signature in blue ink that reads "Paul Lentz". The signature is written in a cursive style and is positioned above a light blue horizontal line.

Paul Lentz, Foreperson

## **ACKNOWLEDGEMENTS**

The 2015-2016 Butte County Grand Jury acknowledges and thanks the following people and organizations for their support, guidance, professional assistance and orientation, and for helping to make this final report possible:

The Honorable Robert A. Glusman, Judge of the Superior Court of California, Butte County, who presided over the 2015-2016 Grand Jury

County Counsel Bruce Alpert and his staff

District Attorney Michael Ramsey and his staff

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

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

The Butte County Chief Probation Officer, Steve Bordin; Chief Deputy Probation Officer, Wayne Barley; Manager of Juvenile Hall, Nino Pinocchio, and staff who guided members of the Grand Jury through Juvenile Hall

Mr. Richard Holt from the Superior Court and Mr. Andy Pickett, Deputy County Administrator

Mr. Steve Lucas from LAFCO

All those who agreed to be interviewed during investigations and visits

California Grand Jury Association for the training seminars

Butte County Superior Court staff

## **HOW THE GRAND JURY WORKS IN BUTTE COUNTY: A BRIEF HISTORY AND OVERVIEW OF GRAND JURIES**

The public often perceives grand juries as being the same as juries selected for court trials. Although they have the power to indict an accused for a criminal offense, most of the work of California grand juries pertains to civil rather than criminal matters. This makes the California Grand Jury a very different entity than a trial jury, which is also known as a petit jury.

The purpose of criminal trial juries is to determine the innocence or guilt of an accused person by examining the evidence provided. The tenure of trial juries is the length of the trial and there are twelve jurors, who, in criminal cases, must reach a unanimous verdict for conviction.

By contrast, the Grand Jury's primary function involves investigating all aspects of city and county government, including special districts, law enforcement, and agencies with joint powers. Grand Juries act in the interest of the people of the county. As civil observers, their duty is the evaluation of local governmental agencies. Grand Juries serve for a year, have nineteen jurors, and need twelve out of the nineteen to reach decisions.

Essentially, the Grand Jury comprises part of the judicial branch of government and, as such, has the power to review government facilities and official books and records that pertain to the operation of city and county departments, special districts and joint powers agencies. If a Grand Jury encounters resistance when asking for information during an investigation, it may issue subpoenas. The Grand Jury gathers facts and ultimately makes findings and recommendations in the form of a report which is then made public.

### **HISTORY OF THE GRAND JURY**

The present day Grand Jury finds its origins in English law. George Edwards, Jr. in his essay entitled, "The Grand Jury," gives this account: "In 1368, during the reign of King Edward III, the modern practice of impaneling a body of individuals whose purpose was to inquire on behalf of the county came into being." Known as "le grande inquest," it acted as an accusatory body, with 24 members chosen by the Sheriff to investigate possible offenses. This was the first time an independent panel was given authority to oversee governmental activity on behalf of the citizens of the county.

Prior to the creation of "le grande inquest," English law for the most part united the functions of the Grand Jury (to accuse) and a petit jury (to try the accused) together into one jury. One of the problems was conflict of interest, in that the jury that brought the charges against an accused was also the one who tried the accused. Gradually, the Grand Jury gained its independence from not only the petit jury, but also from being an instrument of the King. It now stood between the monarchy and the people, defending the liberty of the citizens residing in the county. The necessity that at least 12 Grand Jurors should concur for the passage of a resolution is a holdover from the time when the juries were once joined.

The Grand Jury became a completely independent body when it no longer had to divulge its sources, could meet free from any kind of scrutiny, and did not need to specify the evidence used in their decision making. The Grand Jury was beginning to mark its territory as being a group of people whose job it was to look out for the interests of everyone in the county, regardless of race, religious beliefs, or economic status. As an independent body, the Grand Jury often has a better vantage point to identify and evaluate any potential problems.

The United States Constitution does not provide for Grand Juries, but Article V of the Bill of Rights states: “No person shall be held to answer for a capital or otherwise infamous crime, unless a presentment of indictment of a Grand Jury, except in cases relating to the military.” As such, a majority of states have adopted Grand Juries that act as intermediaries between county government and its citizens.

The California State Constitution outlines the use of Grand Juries. In 1849, the California Legislature authorized each of the counties to have one. Some larger counties within California, such as Los Angeles and San Francisco, select two Grand Juries each year – one for criminal and another for civil. Smaller counties, such as Butte, have only one Grand Jury that handles both criminal and civil matters although, as mentioned earlier, the bulk of the Butte County Grand Jury’s work deals with civil examinations of governmental agencies within the county.

The authority of the California Grand Jury systems is codified in California Penal Code (CPC) section 933. The relevant sections of the CPC can be found both online at <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=pen&group=00001-01000&file=925-933.6> and at the legal library in the Butte County Law Library in Oroville. Copies are also located at Butte College and California State University, Chico. Two significant statutes regarding the function of the Grand Jury have recently been passed by the State Legislature. Specifically, California Penal Code Section 917 was added (effective 1/1/2016) which precludes a Grand Jury from inquiring into an offense that involves a shooting or use of excessive force by a peace officer. Additionally, Penal Code Section 933.05 was added (effective 1/1/2017) which requires the Grand Jury [subsection (d)] meet with the subject of an investigation to verify the accuracy of its findings prior to their release.

## **OVERVIEW OF THE GRAND JURY**

Each county determines its selection process. In Butte County, the process begins with questionnaires sent to prospective jurors. From the questionnaires, the judge and staff select potential candidates to serve on the Grand Jury. Service on the Grand Jury is voluntary. The Court makes every effort to select individuals who represent a cross section of the county’s population. A panel of three judges interviews the candidates individually, selecting 30 prospective jurors. On the day of selection, the media are invited to observe the transition from one Grand Jury to another. In the tradition of English law, nineteen names are randomly drawn to serve and the other 11 candidates become alternates.

Each Grand Jury serves for a year, beginning July 1 and ending on June 30 of the following year. When empaneled, the jurors swear an oath of secrecy regarding any of the inquiries and investigations of the Jury. This secrecy enables the Grand Jurors to interview county officials

without consequences to the officials. Like investigative reporters, the jurors need to protect their sources. This is important to their independent status, which is free from governmental influence.

Once a Grand Jury is selected, the Presiding Judge appoints a Foreperson. This individual heads and gives direction to the Jury. Decisions are made by the entire Grand Jury, with each member having one vote and motions being carried by a minimum of twelve votes or a quorum. In meetings, the Jury follows basic parliamentary procedures. The members may select additional officers as needed.

Next, the members of the Jury may establish external committees including, for example, county government, law enforcement or emergency management. Internal committees, such as response, editorial, and revision may be established as well. Each committee selects one or more areas for possible investigation based on recent events or previous Grand Juries' reports. Grand Jury committees contact officials within appropriate departments for interviews to gain information and records relating to those investigations. In addition, each Grand Jury produces mandatory reports on the county jails, juvenile detention centers and the County Auditor's office.

The effectiveness and power of the Grand Jury comes in three ways. They are:

1. By issuing reports and recommendations regarding county government, cities, special districts and joint powers agencies.
2. By indicting and bringing charges against an individual for a criminal offense.
3. By civil accusations of an official or employee where the result, if convicted, would be removal from office.

The watchword of the Grand Jury is independence. To that end, the Grand Jury is beholden to no special interest, private or public.

May 26, 2016

The 2015-2016 Grand Jury final report has been submitted on this date pursuant to California Penal Code section 933.

## Final Reports, Responses and Government Entities

933.

(a) Each grand jury shall submit to the presiding judge of the superior court a final report of its findings and recommendations that pertain to county government matters during the fiscal or calendar year. Final reports on any appropriate subject may be submitted to the presiding judge of the superior court at any time during the term of service of a grand jury. A final report may be submitted for comment to responsible officers, agencies, or departments, including the county board of supervisors, when applicable, upon finding of the presiding judge that the report is in compliance with this title. For 45 days after the end of the term, the foreperson and his or her designees shall, upon reasonable notice, be available to clarify the recommendations of the report.

(b) One copy of each final report, together with the responses thereto, found to be in compliance with this title shall be placed on file with the clerk of the court and remain on file in the office of the clerk. The clerk shall immediately forward a true copy of the report and the responses to the State Archivist who shall retain that report and all responses in perpetuity.

(c) No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls. In any city and county, the mayor shall also comment on the findings and recommendations. All of these comments and reports shall forthwith be submitted to the presiding judge of the superior court who impaneled the grand jury. A copy of all responses to grand jury reports shall be placed on file with the clerk of the public agency and the office of the county clerk, or the mayor when applicable, and shall remain on file in those offices. One copy shall be placed on file with the applicable grand jury final report by, and in the control of the currently impaneled grand jury, where it shall be maintained for a minimum of five years.

(d) As used in this section "agency" includes a department.

## Responses to Findings and Recommendations

933.05.

(a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

# **Comments Regarding Required Responses to the 2014-2015**

## **Butte County Grand Jury Report**

### **BACKGROUND**

California state law requires local government agencies respond in writing to grand jury reports. The governing body of an agency that is the subject of the report has 90 days to submit a response, while elected officials and department heads are allowed 60 days to respond.

Responding agencies must state whether they agree or disagree with grand jury findings, whether recommendations will or will not be implemented, or whether they require further analysis. With both findings and recommendations, agencies are required to explain disagreements.

### **DISCUSSION**

According to Penal Code 933.05 responses to findings must meet particular requirements. Section (a) responses to findings must: 1) agree with the finding, or 2) disagree wholly or partially with the finding. Section (b) responses to recommendations must include whether each recommendation: 1) has been implemented, 2) not yet been implemented but will, 3) requires further analysis, or 4) will not be implemented.

The final 2014-2015 Butte County Grand Jury report contained a total of 49 recommendations. The Butte County Audit report had no recommendations. Of the 49 recommendations, 33 have been or will be implemented. Four recommendations had been partially implemented, and one recommendation may be done. Five of the recommendations will not be implemented by the agencies.

Agency responses to the 2014-2015 reports are available at [www.buttecounty.net](http://www.buttecounty.net). See attachment A for a recap of responses and related websites.

### **REQUIRED RESPONSES**

Responses from Butte County entities to the 2014-2015 Grand Jury report were received on time and in accordance with California state law. Those responding included the Sheriff's Office, Butte County Office of Education, Butte County Superintendent of Schools, the City of Chico, the City of Oroville and the Butte County Board of Supervisors.

#### **Butte County Jail:**

The Sheriff's office responded and agreed with six findings and reported four recommendations had been implemented.

The Butte County Board of Supervisors agreed with six findings and responded that four recommendations have been implemented.

### **Juvenile Hall and Table Mountain School**

The Butte County Board of Supervisors and the Butte County Board of Education were the required respondents, and they agreed with all eight findings.

### **Butte County Audit**

There were no findings or recommendations in the 2014-2015 Grand Jury Report.

### **Cities**

The Chico City Council responded to the 2014-2015 report within the required deadline. They agreed with four of the five findings, and disagreed with one. The Chico City Council reported that four of the five recommendations had been implemented and that one would not be done.

The Oroville City Council responded to the 2014-2015 report within the required deadline. They agreed with nine of the sixteen findings, partially agreed with six and disagreed with one finding. Of the eight recommendations the Council reported that six recommendations had been implemented, one would be done, and one may be done.

### **Oroville City Elementary School District**

The Butte County Superintendent of Schools was specifically tasked with responding to the 2014-2015 Grand Jury Report. The Superintendent responded by stating, “the most accurate and up to date information would be best recognized by the Superintendent of the Oroville City Elementary School District.” However, there was no indication that the report was referred to the Superintendent of the Oroville City Elementary School District for responses to the Grand Jury Report.

There were seventeen findings and six recommendations in this report. The responses from the County Superintendent of Schools amounted to acknowledgement of the subjects raised and thanked the Grand Jury for its recognition and suggestions. None of these responses met the format outlined in the Penal Code.

### **Bakken Oil/Hazardous Material Transportation**

The Butte County Board of Supervisors was the required respondent and agreed with eight findings and disagreed with three. Of nine recommendations, five had been done, one partly done, and two will not be done.

### **Diamond Incident Exercise**

The Butte County Board of Supervisors was the required respondent and agreed with the six findings and stated that both recommendations had been implemented.

### **Ebola Virus Tabletop Exercise**

The Butte County Board of Supervisors was the required respondent, and agreed with four findings and disagreed with one. One recommendation has been partly done and two will be done.

## **Solar Storms**

The Butte County Board of Supervisors was the required respondent, and agreed with four of ten findings, partly agreed with one, and disagreed with five. Of the nine recommendations three had been done, one partly done, and four will not be done.

## **Managing Groundwater**

The Butte County Board of Supervisors was the required respondent, and agreed with seven findings and disagreed with one. The respondent reported that all three recommendations had been implemented.

## **FINDINGS**

F1. The 2015-2016 Grand Jury found the Butte County Superintendent of Schools did not meet the required response format outlined in the Discussion section of this report.

F2. There were several responses to 2014-2015 recommendations that fell into the "will be done" category (See Attachment A), but no timeline for progress or completion was set forth.

## **RECOMMENDATIONS:**

R1. Next year's Grand Jury should consider further the response to both Findings and Recommendations of the Oroville City Elementary School Report from the 2014-15 Grand Jury Report.

R2. The Grand Jury recommends future Juries adopt a system to identify "will be done" and "partly done" responses to track their progress and/or completion.

## Attachment A

### Required Responses to Grand Jury Report 2014 - 2015

2014-15 Report Names	Findings			Recommendations				
	Agree	Partly Agree	Disagree	Have been done	Partly done	Will be Done	May be Done	Will not be done
Butte County Jail Tour <sup>1,2</sup>	6			4				
Juvenile Hall and Table Mountain School <sup>2,3</sup>	8							
Butte County Audit	N/A			N/A				
City of Chico Finances <sup>4</sup>	4		1	4				1
City of Oroville <sup>5</sup>	9	6	1	6		1	1	
Oroville City Elementary School District <sup>6</sup>								
Bakken Oil/Hazardous Material Transportation Feather River Canyon <sup>7</sup>	8		3	5	1	2		1
“Diamond Incident” Exercise <sup>8</sup>	6			2				
Ebola Virus Tabletop Exercise <sup>9</sup>	4		1		2	1		
Solar Storms and Electromagnetic Pulses <sup>10</sup>	4	1	5	4	1	1		3
Managing Groundwater <sup>11</sup>	6	1	1	3				

**Links to report responses:**

<sup>1</sup> [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte\\_County\\_Sheriff.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte_County_Sheriff.pdf) pp. 1- 3

<sup>2</sup> [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte\\_County\\_Board\\_of\\_Supervisors.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte_County_Board_of_Supervisors.pdf)  
pp. 2- 3

- 3 [www.buttecounty.net/Portals/1/GrandJury/Butte\\_County\\_Office\\_of\\_Education.pdf](http://www.buttecounty.net/Portals/1/GrandJury/Butte_County_Office_of_Education.pdf) pp. 6- 7
- 4 [www.buttecounty.net/Portals/1/GrandJury/14-15GJResp\\_Chico\\_City\\_Council.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJResp_Chico_City_Council.pdf) pp. 2- 5
- 5 [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespCity\\_of\\_Oroville.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespCity_of_Oroville.pdf) pp. 1- 5
- 6 [www.buttecounty.net/Portals/1/GrandJury/Butte\\_County\\_Office\\_of\\_Education.pdf](http://www.buttecounty.net/Portals/1/GrandJury/Butte_County_Office_of_Education.pdf) pp. 2- 5
- 7 [www.buttecounty.net/Portals/1/GrandJury/14-15GJ\\_RespBC\\_OEM.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJ_RespBC_OEM.pdf) pp. 6- 9
- 8 [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte\\_County\\_Board\\_of\\_Supervisors.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte_County_Board_of_Supervisors.pdf)  
pp. 10- 11
- 9 [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte\\_County\\_Board\\_of\\_Supervisors.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte_County_Board_of_Supervisors.pdf)  
pp. 12- 13
- 10 [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte\\_County\\_Board\\_of\\_Supervisors.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte_County_Board_of_Supervisors.pdf)  
pp. 14- 17
- 11 [www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte\\_County\\_Board\\_of\\_Supervisors.pdf](http://www.buttecounty.net/Portals/1/GrandJury/14-15GJRespButte_County_Board_of_Supervisors.pdf)  
pp. 18- 20



## Butte County Animal Shelters

### SUMMARY

This report comes at the conclusion of the 2015-2016 Grand Jury's investigation of Butte County Animal Control facilities which included an examination of the funding, operations, and quality of animal care at our four shelters: Chico, Oroville, Gridley/Biggs (a joint facility), and Paradise. While the Grand Jury has determined that most facilities appear to be operating efficiently, adequately addressing the needs of the animals in their care, and serving the needs of their communities, some concerns have surfaced, and we are therefore making some recommendations for improvements based on our findings.

### BACKGROUND

The Grand Jury chose to investigate local animal control facilities because an in-depth investigation had not been completed since 2010. Also, animal welfare is a current and growing concern among many citizens so we deemed it an important local public service agency to investigate.

The State of California mandates that all surrendered companion animals, i.e. cats and dogs, be spayed or neutered prior to being cleared for adoption. When the shelter completes the spay/neuter surgeries, it may then request reimbursement from the State. Depending on the timeliness of reimbursements, these funds may or may not impact the quality of service provided by the shelters.

The State has also adopted "The Guidelines for Standards of Care in Animal Shelters (2010)" (GSCAS), published by the Association of Shelter Veterinarians, that includes recommendations for adequate separation of species, i.e., cats from dogs, where cats are effectively removed from sight and sound exposure to dogs. Also, sick animals are to be adequately quarantined from healthy animals within species. The Grand Jury focused on these shelter conditions in addition to others. Some of these codes and guidelines that the Grand Jury considered during our investigation are listed as follows:

California Penal Code 599(d) states: "No adoptable animal should be euthanized if it can be adopted into a suitable home."

California Penal Code 597(t) states: "Every person who keeps an animal confined in an enclosed area shall provide it with an adequate exercise area." (No dimensions are given, but the GSCAS stipulates that the animal needs to be able to lie down at full body length, stand up unobstructed, and turn around at will. It also needs to have separate locations within the enclosure where it can eat, sleep, and pass waste materials without contaminating the other locations.)

In 2015-2016, no written complaints regarding the Animal Control facilities have been received by this Grand Jury.



## **APPROACH**

### **Documents**

The Grand Jury reviewed the following documents and online information::

- Revenue and expense reports, 2014-2015 fiscal data from shelters.
- Intake (impound/surrender)/Release (adoption) data, 2014-2015
- Current Policy and Procedure manuals
- California legal codes regarding animal shelter regulations [www.sheltertrak.com](http://www.sheltertrak.com)
- The Guidelines for Standards of Care in Animal Shelters (2010) [www.shelternvet.org](http://www.shelternvet.org)
- Websites for each facility: (see following discussion)

### **Site Tours**

The Grand Jury toured each of the four facilities, examining the animals' living quarters, intake and quarantine areas, play/exercise areas, and health care facilities. At the shelters that intake both cats and dogs, the Grand Jury looked at the degree of physical separation of the two species.

### **Interviews**

During this investigation, the Grand Jury interviewed shelter authorities, law enforcement personnel who oversee shelter operations, city administrators who are knowledgeable regarding funding of shelter operations, and volunteer organizations closely involved with fundraising efforts for their affiliated shelters.

## **DISCUSSION**

Butte County has three shelters that are administered by each city's respective Police Departments: Chico, Gridley/Biggs, and Paradise. The Oroville shelter is a private non-profit organization but is under contract to the City of Oroville, and to the County. As the county intake facility, the Oroville shelter receives animals that are impounded or surrendered from unincorporated areas within Butte County.

This report shall discuss each of the four shelter sites and make findings and recommendations separately.

### **CHICO**

There have been improvements and upgrades to the facility in recent years, some of which were recommendations of the 2009-2010 Grand Jury.

Chico Animal Shelter's annual operating budget of \$553,479 was enhanced last year by private donations of about \$34,000. This budget includes the salaries of seven full-time employees and one Registered Veterinary Technician (RVT). The shelter also has two community service



officers (CSO) who are trained in the humane impoundment of stray dogs. The remainder of the budget supports the daily operations of the shelter.

Healthy stray and surrendered cats are not accepted at this facility; they are referred to a cats-only facility nearby. However, the shelter will receive sick or injured cats and orphaned kittens.

The Shelter has a cooperative relationship with the SPCA (Society for the Prevention of Cruelty to Animals), which is located on the same lot, and both are responsible for the care and adoptability of the dogs. The shelter houses between 1200-1300 dogs, and approximately 300 cats annually.

There is no hygienic area provided by the site that is separate from animal contact spaces where employees can eat lunch or take breaks.

Location: 2579 Fair St. Phone: 530-894-5630 Online: [www.chicoshelter.org](http://www.chicoshelter.org)

Hours of operation: 12:00-6:00 p.m., seven days per week, with variations for holidays.

#### **OROVILLE/COUNTY:**

This facility is also known as Northwest SPCA. This is the County's only private, non-profit organization that is under contract to both the City of Oroville and Butte County for animal control services.

While operating within budget for mandated services, the shelter relies heavily on fundraising and private donations to ensure the most humane treatment for the animals it houses, i.e., long-term housing for animals in lieu of euthanization, extra veterinary care, low-cost spay/neuter services, ID "chipping," etc.

The 2013-2014 budget of \$937,000 from all sources included monies from private donations and fundraising projects. This shelter currently employs fifteen full time staffers, one RVT, one paid Doctor of Veterinary Medicine (DVM) and 2 volunteer DVMs who provide spay/neuter services.

The housing area is clean, spacious and adequately ventilated and heated for the animals sheltered here, which number approximately 6,000 impounded and surrendered dogs and cats per year. About 70% of the sheltered animals come from the unincorporated areas within Butte County, and the other 30% come from within Oroville city limits. Documentation regarding the animals' physical condition, adoptability, date of impoundment/surrender, and the location of impoundment is displayed on each animal's kennel, and is easily accessible to anyone interested in viewing the data.

Location: 2787 So. 5<sup>th</sup> Ave. Phone: 530-533-7636 Online: [www.northwestspca.org](http://www.northwestspca.org)

Hours of operation: Monday-Friday 8:00 a.m.--4:30 p.m. (kennel hours are open for public viewing 10:00 a.m.--4:30 p.m.) Saturday 11:00 a.m.--3:00 p.m. Closed Sunday.



## **GRIDLEY/BIGGS:**

This shelter serves both Gridley and Biggs, and is under the administration of the Gridley Police Department. The annual budget is determined jointly by the Police Chief and the City Council, and for the 2015-2016 fiscal year the adopted budget was \$117,155. The facility was recently gifted with \$10,000 towards the purchase of a new animal control vehicle by a member of the community; the City paid the balance. The shelter has one full-time animal control officer, who manages the budget and operates the shelter. A part-time volunteer assists with animal care and adoptions, and an employee from the Gridley police department with experience in Animal Control assists at the shelter when necessary, but is rarely needed.

This shelter typically houses approximately 350 dogs and 335 cats per year. About 300 dogs and 260 cats come from Gridley, while about 50 dogs and 75 cats come from Biggs. The Gridley/Biggs shelter maintains 10 indoor kennels, 4'x 6', and 3 indoor kennels, 6'x 8'. It has an outdoor dog run that is 10' x 20' for exercise.

The shelter coordinates with other humane organizations for cat adoptions ("Deb's Paws and Claws" of Yuba City), and Chako, a pit bull rescue/adoption organization out of Sacramento. Additionally, Sutter Buttes Canine Rescue intakes puppies and provides for their care and adoption.

The shelter appears to be clean and well-maintained, and is running efficiently and within budget.

Location: 898 Sycamore St. in Gridley Phone: 530-846-4825 Online Browser: Gridley Animal Shelter, click on "Website."

Hours of operation: Monday-Friday, 7:00 a.m.-3:00 p.m. The animal control officer is available to the public for appointments beyond these hours if necessary. Please call.

## **PARADISE:**

The Paradise Town Council has budgeted the shelter \$189,458 for the current 2015-2016 operating year. Also last year, PASH (Paradise Animal Shelter Helpers) provided \$11,900.00 to pay for all spay/neuter services, and to provide animal food, cat box litter, etc. These funds also help pay for electricity and propane for the shelter. Other private donations total approximately \$5,000 per year.

The shelter currently employs 3.35 FTE persons, which include 2 full time animal control officers, an office manager, and two part-time kennel workers.

In 2015, the shelter impounded or accepted approximately 227 dogs and 240 cats. The facility has fourteen 4'x 5' regular dog kennels, plus four quarantine kennels for sick or vicious dogs. There is a 2' wide cement wall separating quarantined dogs from healthy dogs. It also has ten regular cat kennels, plus three quarantine cat kennels. There is three feet of separation between cat and dog kennels. The shelter also has a 20'x 40' outdoor dog run for exercise and play.



Location: 925 American Way Phone: 530-872-6275 Online Browser: Paradise Animal Shelter, click on "Website."

Hours of operation: Tuesday--Saturday, 11:00 a.m.-3:00 p.m.

## **FINDINGS**

F1. All Butte County Animal Control shelters have capable, dedicated personnel. They are all highly devoted to the well-being of the animals in their care. Kennels appeared adequate in size according to GSCAS (2010). The shelters in Oroville, Chico, and Gridley/Biggs seemed adequate in relation to need, and these facilities' maintenance and renovations were up-to-date.

### **CHICO**

F2. The Chico Animal Shelter building lacks a separate, hygienic space away from animal contact areas where personnel and volunteers can take scheduled lunch/coffee breaks.

### **OROVILLE/COUNTY**

F3. This is an exceptionally well-managed shelter. The animals have clean and spacious kennels. There is adequate separation of the species, as recommended by the GSCAS (2010), and there is proper quarantine space for sick animals. The facility is well-supplied, and has an active fundraising program to help support humane services for animals it shelters.

### **GRIDLEY/BIGGS**

F4. This shelter's dog run is small compared to others and may not provide adequate exercise or play time for larger dogs, or small groups of dogs who might socialize well.

### **PARADISE**

F5. The Paradise facility is small and in need of renovation and expansion.

F6. There needs to be greater separation of cats and dogs, especially for the well-being of cats.

F7. Sick animals need to be quarantined more effectively from healthy animals.

F8. The Paradise shelter hours during which it is open to the public for adoption and other services are inadequate compared to other shelter facilities.

## **RECOMMENDATIONS/CONCLUSION**

R1. Chico: The Grand Jury recommends that the City of Chico provide a clean, separate space for employees and volunteers to have animal-contact-free lunch/coffee breaks.

R2. Gridley/Biggs: The Grand Jury recommends that the joint communities provide a larger dog run to accommodate larger dogs, provide more space for exercise and play, and allow for small groups of well-socialized dogs to interact.



R3. Paradise: The Grand Jury recommends that the Town of Paradise provide adequate funding for the updating, enlarging, and renovating of the local animal shelter.

R4. Paradise: The Grand Jury recommends the shelter provide greater physical separation between dogs and cats.

R5. Paradise: The Grand Jury recommends the shelter provide greater physical separation between sick animals and healthy animals.

R6. Paradise: The Grand Jury recommends that the animal shelter increase its hours of operation to include time that is more convenient for the public.

## RESPONSES

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

- Gridley City Council: respond to F4 and R2 within 90 days
- Paradise Town Council: respond to F5 and R3 within 90 days
- Paradise Police Department: respond to F6, F7, F8, R4, R5, and R6 within 90 days.

The Grand Jury *invites* the following to respond:

- Chico Police Department: respond to F2 and R1 within 60 days
- Chico City Council: respond to F2 and R1 within 60 days

Responses are to be submitted to the Presiding Judge of the Butte County Superior Court in accordance with the provisions of Penal Code section 933.05.

## GLOSSARY

**CSO: Community Service Officer; specially trained employee who impounds stray dogs**

**DVM: Doctor of Veterinary Medicine**

**FTE: Full-Time Equivalent (employee)**

**GSCAS: Guidelines for Standards of Care in Animal Shelters**

**RVT: Registered Veterinary Technician**

**SPCA: Society for the Prevention of Cruelty to Animals**



## 2015-2016 BUTTE COUNTY GRAND JURY REPORT

### BUTTE COUNTY AUDIT

#### BACKGROUND

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

#### APPROACH

The 2015-2016 Grand Jury reviewed the following documents:

- The Butte County Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2015.

[http://www.buttecounty.net/Portals/4/Financial\\_Reports/2015ButteCAFR\\_Final.pdf](http://www.buttecounty.net/Portals/4/Financial_Reports/2015ButteCAFR_Final.pdf)

- The adopted Butte County Budget for Fiscal Year 2015- 2016

<http://www.buttecounty.net/Portals/1/FY15-16AdoptedBudget/complete%20budget-web.pdf>

- The Independent Auditor's Single Audit Report, dated January 6, 2016.

[https://www.buttecounty.net/Portals/4/Financial\\_Reports/FINAL%202015%20Butte%20SA.PDF](https://www.buttecounty.net/Portals/4/Financial_Reports/FINAL%202015%20Butte%20SA.PDF)

The Grand Jury interviewed:

- the Independent Auditor
- the County Auditor

Further the Grand Jury attended the semi-annual meetings of the County Audit Committee of Butte County (October 28, 2015 and May 9, 2016), which included a County Supervisor, the County Auditor, the Chief Administrative Officer for the County, the Butte County Treasurer, and the Independent Auditor.

#### DISCUSSION

The outside auditor gave the County a clean (“unqualified”) opinion of its financials. An unqualified opinion is a finding that the financial statements properly represent the financial position of the County and is in conformance with Governmental Accounting Standards. The Grand Jury found no issues with the process that the County and the Independent Auditor conducted in order to produce their reports. The Independent Auditor's opinion is not a report on the strength of the County's financials. That process is handled by credit rating agencies.



## **FINDINGS**

- F1. The Independent Auditor issued an unqualified (“clean”) opinion of the Financial Statements of Butte County, and reported no material issues requiring any notice.
- F2. Butte County again was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association.

## **RECOMMENDATIONS:**

None



## **Butte County Grand Jury Jail and Juvenile Hall Tours**

The 2015-2016 Butte County Grand Jury, in compliance with California State law, conducted an inspection of the operation and management of the Butte County Jail and Juvenile Hall in October 2015. No recommendations were made as a result of the inspection, and no report was filed this term.



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## BUTTE COUNTY PUBLIC WORKS REGIONAL WASTE FACILITIES

### SUMMARY

California law mandates that Butte County’s Grand Jury investigate county government agencies to ensure they are being administered efficiently and in the best interest of the residents. The 2015-2016 Grand Jury carried out an investigation of the Solid Waste Division of the Public Works Department. This division operates the Neal Road Recycling and Waste Facility (NRRWS), including septage ponds. They oversee the local waste collectors, and facilitate the proper disposal of Household Hazardous Waste (HHW).

The Grand Jury concentrated on household waste with emphasis on HHW. It conducted site visits and interviewed management and staff at all three HHW facilities which are responsible for HHW services located in Butte County: Chico, Paradise, and Oroville. The Grand Jury found that HHW was managed effectively at these facilities and regulations are being enforced. Nonetheless, many citizens of Butte County still do not properly dispose of hazardous waste materials.

### Waste Collection Areas in Butte County



Butte County is divided into three collection areas for waste with one hauler exclusively serving each area.

Waste Management (WM), shown in green, serves the northwest area of the County. Call Waste Management at 893.4777.

Northern Recycling & Waste Services (NRWS), shown in yellow, serves the Paradise Ridge area. Call NRWS at 876.3340.

Recology (RBCC), shown in blue, serves the southern portion of the County. Call Recology at 533.5868.



## BACKGROUND

The Grand Jury focused its investigation on HHW for this report. Since HHW cannot be disposed of in home waste disposal carts, it must be done at a certified waste disposal site. There are three HHW disposal sites in Butte County:

- Butte Regional Household Hazardous Waste Facility (BRHHWF) in Chico at 1101 Marauder Street. This facility is owned and operated by Butte County.  
[http://www.chico.ca.us/general\\_services\\_department/solid\\_waste\\_and\\_recycling/recycling/household\\_hazardous\\_waste.asp](http://www.chico.ca.us/general_services_department/solid_waste_and_recycling/recycling/household_hazardous_waste.asp)
- Recology Butte and Colusa Counties (RBCC) facility at 2720 South 5<sup>th</sup> Avenue in Oroville. RBCC is a private enterprise, although it receives some funding from the City of Oroville.  
<http://www.recologybuttecolusacounties.com/>
- Northern Recycling & Waste Services (NRWS) facility located at 920 American Way in Paradise. This facility is privately owned and seeks out grants for special projects and to meet HHW disposal costs.  
<http://www.northernrecycling.biz>

All three facilities also accept hazardous waste from businesses located in Butte County. Businesses must schedule an appointment and are charged a fee based on the type and amount of waste collected. The facilities' websites contain information such as days and hours of operation, as well as some information regarding the types of HHW that they will accept.

Grand Jury goals were:

- To learn how the various hazardous waste facilities collect, separate and dispose of HHW.
- To assist in educating the public in identifying hazardous waste and how to dispose of it properly, so that less ends up at the landfill.
- To provide information to the public about where and when they can dispose of any hazardous and reusable materials.
- To help citizens find answers to questions about hazardous waste disposal.

## APPROACH

The 2015 – 2016 Grand Jury conducted tours of all three waste facilities:

- Viewed all logs and manifests used to identify type and quantity of waste
- Inspected the individual bays where waste is collected and stored
- Discussed required special training to work at the facility
- Viewed policy and procedure manuals
- Interviewed the following personnel:  
The General Manager at each site



- The Facility Manager at each site
- The Foreperson at each site
- The Public Outreach Coordinator at the Paradise site
- The Butte County Recycling Coordinator at the Chico site

We also conducted research into the present conditions and future prospects of septage ponds at NRRWS (landfill):

- Interviewed the Director of Public Works for Butte County
- Attended a public meeting on November 3, 2015 regarding the septage pond issues
- Reviewed local newspapers

<http://www.chicoer.com/article/NA/20151103/NEWS/151109929>

<http://www.paradisepost.com/general-news/20151106/septage-meeting-sparks-conversation-about-landfill-ponds>

The Grand Jury also consulted the Butte County Public Works Department's website:

<http://www.buttecounty.net/recyclebutte./Householdhazardouswaste.aspx>

## DISCUSSION

### HHW Process:

When Butte County customers arrive at a HHW facility, they are asked to complete a survey regarding who they are and what materials they are bringing. This helps the facility compile data about use of the facility on a daily and long term basis.

Materials are separated by employees who have been trained in proper handling and safety procedures. The employees log in all material received. Each bay has posted what, when, and how much material is in each drum. The Grand Jury found all drums and waste storage containers in the bays to be in good condition and the labeling to be in plain sight with easy-to-read, pertinent information regarding dates and contents. There are safety procedures for any fire or accident which may happen; there have not been any safety incidents thus far.

There are four bays which contain wastes separated by type: acids, flammables, toxins, and alkalis. The Oroville facility bays have concrete floors sloped toward a secondary containment sump to collect and aid in capture/clean up, should a spill occur. The Chico and Paradise facility bays have metal grate flooring, and beneath that is a concrete secondary containment area. This containment allows for capture and clean-up of materials should a spill occur.

Waste containers can only be stored for one year on site, although some are transported to regional facilities before the deadline. All three facilities are required by Certified United Program Agencies (CUPA) to be inspected; Butte County Environmental Health is the inspecting agency.



The types of HHW brought to the facilities are labeled: “Caution,” “Warning,” “Dangerous,” or “Poisonous,” and therefore it is essential that they do not go to the landfill. All facilities also take in universal waste which is more common and poses a lower risk to the public and the environment. Universal waste can include fluorescent lighting tubes, batteries, electronics, and products containing mercury.

In discussion with each facility it was learned that it is commonly estimated that only about 15% of HHW in Butte County is properly disposed of at HHW facilities. The rest is either improperly disposed of or improperly stored.

Chico and Paradise accept pharmaceuticals for disposal. Those facilities ask that pills be removed from their containers and placed in a sealable bag. Liquid prescriptions should be left in the original containers with all personal information removed. Oroville does not accept prescription pharmaceuticals, due to restrictions by the City.

All three facilities accept “sharps” (hypodermic needles, etc.).

Paradise, through a grant from CalRecycle, accepts car tires for recycling.

REUSE CENTER: Paradise offers a “Reuse Center” where the public can select, free of charge, new or nearly-new condition HHW products such as cleaners, paint, car wax, fertilizers, pesticides, etc. <http://paradiserecycles.com/Reuse%20Center.html>

PAINT CARE PROGRAM: All three facilities participate in the Paint Care Program. Latex paints are sent to a facility which recycles the paint for commercial sale and usage. <http://www.paintcare.org/paintcare-states/california/>

**Hours of operation:**

Chico Residents: Fridays 9AM to 1PM and Saturdays 9AM to 4PM  
Businesses: Wednesdays 9AM to 1PM.

Oroville Residents: The first and third Fridays of the month, 9AM to 2PM.  
Businesses: By appointment only

Paradise Residents: on rotating Wednesdays and Saturdays, 9AM to 1PM.  
Schedule for specific items: [www.paradiserecycles.com/Schedule.html](http://www.paradiserecycles.com/Schedule.html)  
Businesses: Paradise recommends that businesses use Chico for their HHW because it is more cost effective for the customer. It will take HHW for businesses, if needed, by appointment.

**Safety:**

At all facilities, the Grand Jury discussed training of employees, facility policies, and procedures. The Grand Jury found all three facilities to be in compliance with State regulations.

Employees receive HAZWOPER (Hazardous Waste Operations and Emergency Response) training as new-hires and eight-hour annual refresher training. This meets the OSHA



(Occupational Safety and Health Administration) training requirement. Safety trainings regarding hazardous materials are held as needed.

At the beginning of each day, the supervisor uses a check list which covers general housekeeping, the waste storage building, the receiving and loading areas, the container crushing unit, facility safety equipment, storm water pollution prevention, and any hazard communiques. This ensures all areas are inspected daily.

### **Septage Ponds:**

A critical issue in Butte County is the potential closure of the septage ponds at the Neal Road landfill. As an aside to our main investigation of HHW, the Grand Jury felt a responsibility to inquire into this matter. Our inquiry found that the septage ponds at the landfill are in a precarious position and face closure, although not in 2016 as was first reported at a public meeting held in November of 2015. The Grand Jury gathered more information through attending that public meeting, reviewing local newspaper articles, and having a discussion with the Director of Public Works. There is a serious effort underway to find ways to make room to move the septage ponds to another site on the Neal Road landfill property or to a different location altogether. The landfill receives approximately 4.5 million gallons of septage annually. If no solution is found, septic haulers will be forced to transport septage to a facility out of the county, resulting in double or triple the cost to residents and businesses that rely on septic systems. This issue is in the early stages but the public should be aware of it.

### **Educating the Public:**

All three facilities have websites containing basic information for the public. The Paradise website contains very detailed information as to the operations of the site and how to use the facility's services. Paradise also advertises on public media.

## **FINDINGS**

F1. Waste storage containers and bays are in good condition and are labeled correctly with appropriate hazard indication warnings. The labels are visible and readable.

F2. RBCC in Oroville does not accept pharmaceuticals.

F3. HAZWOPER training satisfies OSHA requirements.

F4. Staff at all facilities is friendly, helpful, and seems eager to educate the community regarding HHW disposal.

F5. All the facilities are required by CUPA to be inspected by Butte County Environmental Health. The Grand Jury reviewed current facility inspection certificates and found them in compliance.

F6. At all three facilities, personnel estimate that only around 15% of available HHW in Butte County is being brought in to their HHW sites by the community.



F7. Considering F6, the Grand Jury finds there is a need for more public education to make Butte County residents aware of opportunities to reduce the HHW entering the Neal Road landfill and preserve the environment.

F8. RBCC in Oroville has a website but it can be improved to provide more specifics as to the services offered. RBCC also does not provide information to the community via local media advertising.

F9. NRWS in Paradise is to be commended for its very informative and user-friendly website which contains all the information the public needs to use its facility. It also advertises widely on TV to make its presence and services known.

F10. Resolving the issue regarding the septage ponds at the Neal Road landfill needs the involvement of the community and the Board of Supervisors. This matter remains a critical issue and a timely resolution is necessary before Butte County residents are adversely affected with higher costs for hauling to another location.

F11. At present all three facilities have limited days and hours of operation available to the public to turn in HHW.

## RECOMMENDATIONS

R1. All HHW facilities should look at ways to increase both days and hours they are open to the public to increase proper disposal of HHW.

R2. BRHHWF in Chico should explore ways to increase public awareness of its facility through advertisement to the community via radio, television, and newspaper.

R3. RBCC in Oroville should explore a change to its city contract to accept pharmaceuticals.

R4. RBCC in Oroville should do more to make the public aware of its facility location and the services offered. RBCC should also advertise regularly via newspaper, local television, and radio.

R5. The Public Works Department should continue its efforts to increase the capability of the Neal Road landfill to continue processing septage at its site or find an alternative which will have the least economic impact on the residents of Butte County.

R6. The 2015-16 Grand Jury recommends that a future Grand Jury investigate the septage pond situation at the landfill to evaluate the progress being made toward a solution.

## RESPONSES:

Pursuant to Penal Code 933.05, the following responses are required within 90 days:

- Butte County Board of Supervisors: F10 and R5, R6
- Butte County Department of Public Works: F1-11 and R1-5



- Butte Regional Household Hazardous Waste Facility (Chico): F6, F7, F11 and R1, R2
- Neal Road Recycling and Waste Facility (landfill): F10 and R5

The Grand Jury *invites* responses from:

- Northern Recycle and Waste Services (Paradise): F6, F11 and R1
- Recology Butte and Colusa Counties (Oroville): F2, F6-8, F11 and R1, R3, R4

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

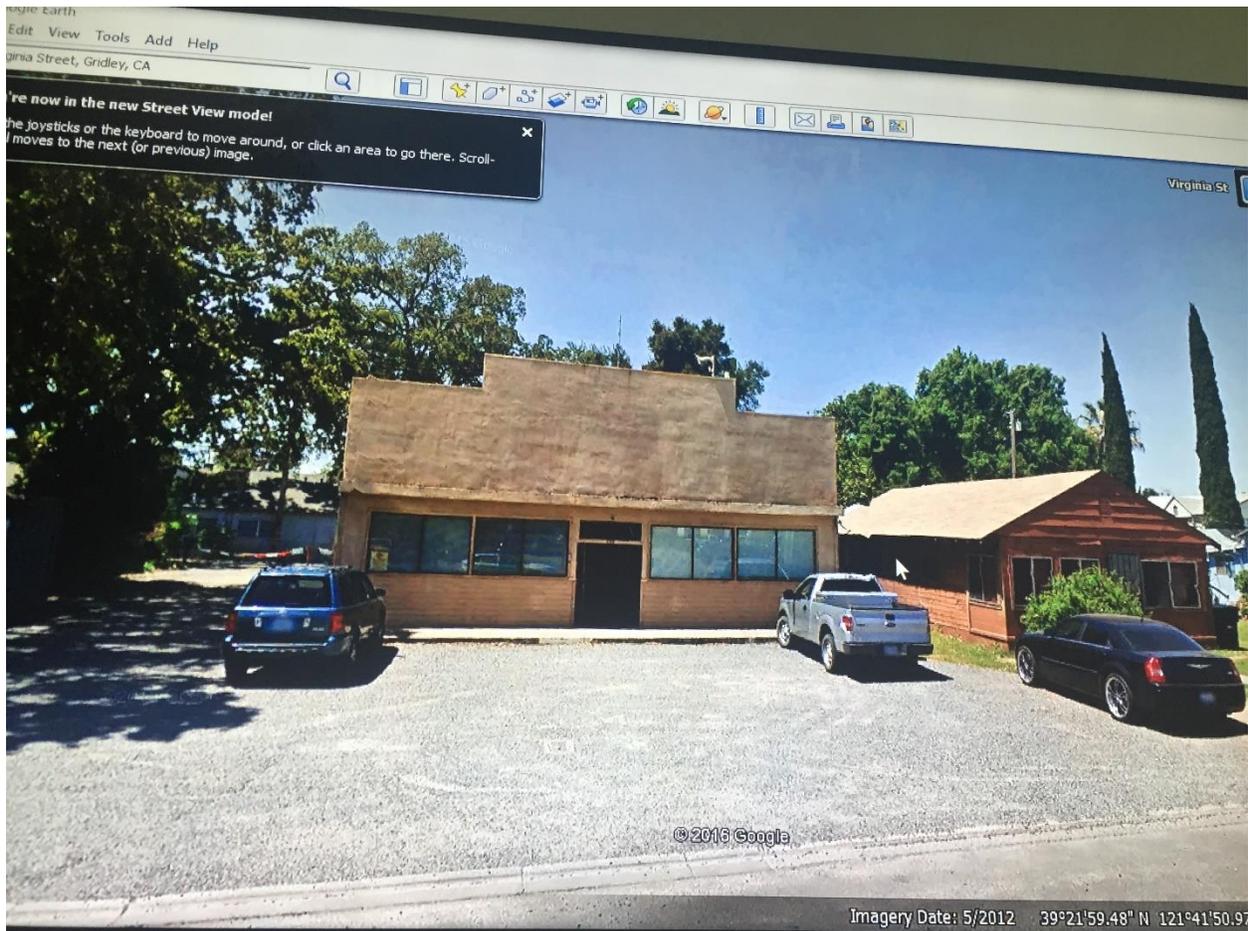
Responses are to be submitted to the Presiding Judge of the Butte County Superior Court in accordance with the provisions of Penal Code section 933.05.

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



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## Butte Water District People Had Questions, And Answers Were Available



The Butte Water District was formed in 1956. Previously it was known as the Sutter Butte Canal Company. This has been the original office since the district formed. The deed dates the original construction to 1911. This is a photo of the office just prior to the renovation project.

### SUMMARY

The Butte County Grand Jury is authorized to evaluate or investigate Districts and Commissions within the county. These evaluations or investigations can be focused on a particular facet of an operation or they can be an overall evaluation. In this case, the Grand Jury received a complaint regarding the Butte Water District in two areas:

(1) A perceived lack of transparency in the justification and approval of funding for the renovation of the District's office.



(2) The appearance that some landowners were receiving more than their allocated number of “irrigations” as stated in the districts “Water Shortage Allocation Policy” letter (See attached).

## BACKGROUND

Butte Water District delivers agricultural water to approximately 555 customers within southwest Butte and northeast Sutter Counties. It functions within a joint agreement with three other districts: Biggs-West Gridley, Sutter Extension, and Richvale. All residents living within the service area are assessed a standby fee under the property tax, then an application must be submitted and additional fees are charged for the delivery of water. The amount of water allocated for each customer is dependent on the size of the parcel and crop grown. In light of the drought, in 2015 a “Water Shortage Allocation Policy” letter was sent to all users, explaining the reduction in allocation. It also explained the policies, guidelines, and costs regarding reallocation of water.

In June of 2014, the Butte Water District’s general manager received approval from the board to begin work on the district office (735 Virginia St., Gridley CA) in order to meet requirements of the Americans with Disabilities Act (ADA). To save costs, the District acted as the contractor and did as much work as possible in-house. As work progressed, additional work was approved to meet interior ADA concerns, as well as structural issues such as repair of termite damage, dry rot, etc. The board approved payment as costs were incurred.

The complaint submitted to the Grand Jury articulated a perception that water deliveries to some parcels exceeded the “low water policy” allotments. It also questioned the necessity of the District office renovations and the funding approval process for those renovations.

## APPROACH

### Documents

The Grand Jury reviewed the following documents provided by the Butte Water District:

- Board minutes from June 2014 to present.
- Financial spreadsheet of funds spent on office renovation.
- 2015 “Water Shortage Allocation Policy” letter.
- Bills presented to the board for approval for material purchased or work completed by outside vendors in connection to the office renovation.

We also reviewed:

- 2010 Butte Water District LAFCO (Local Agency Formation Commission) report: <http://buttelafco.org/sites/default/files/resources/Final%20MSR%20%26%20SOI%20Plan%20-%20Butte%20Water%20District.pdf>
- The California Legislative Analyst's Office’s website report of 2002 “Water Special Districts: A Look at Governance and Public Participation”



[http://www.lao.ca.gov/2002/water\\_districts/special\\_water\\_districts.html](http://www.lao.ca.gov/2002/water_districts/special_water_districts.html)

## Site Tours

The remodeled Butte Water District office

## Interviews

During the investigation, the Grand Jury interviewed four people including the complainant, a board member, the general manager, and an administrator.

## DISCUSSION

There is a District policy which allows water users to transfer water between different sites belonging to the same owner or to another landowner's property. It might appear that a particular area received more irrigations than allowed (an inquiry to the District office at the time of observation would have clarified the situation). Two interviews made clear that the policy of allowing water to be transferred from one owner to another during low water years would very likely be discontinued in the future. Some reasons given were:

- it is more difficult to predict water usage if a landowner has not irrigated for several years, then chooses to transfer their current irrigations;
- few landowners choose to use the water transfer option;
- some owners asked if the District office would assist in selling their transfer, putting the district in a broker position; and
- District policy may create an appearance that owners are receiving irrigations above their allotments.

Although the office renovation project began with the goal of making the entrance area compliant with ADA requirements, the board minutes and interview information indicated that additional costs accrued as new interior compliance and repair issues were discovered. These issues were discussed by the board and the funding was approved. The public was also able to attend board meetings and could ask to be put on the agenda to present their input.

## FINDINGS

F1. The policy of transferring water between owners during low water years benefitted few and caused additional complexity to the District's administrative and water accounting operation. Other than the required signing of an agreement, the District was not involved in the actual process between parties.

F2. The District office update was not originally a complete renovation project, so there was no overall cost evaluation or preapproval. Payment for work done was approved by the Board, as reflected in the board minutes.



F3. The public is allowed and welcome to attend Board meetings, and to voice questions and concerns.

## RECOMMENDATIONS

R1. The Butte Water District general manager and the Board should reevaluate the District's low water transfer policy and decide if it needs to be adapted or discontinued. If adapted, a clearly defined policy and process should be developed.

## RESPONSES

The Grand Jury *invites* the Butte Water District and Board to respond to F1 and R1.

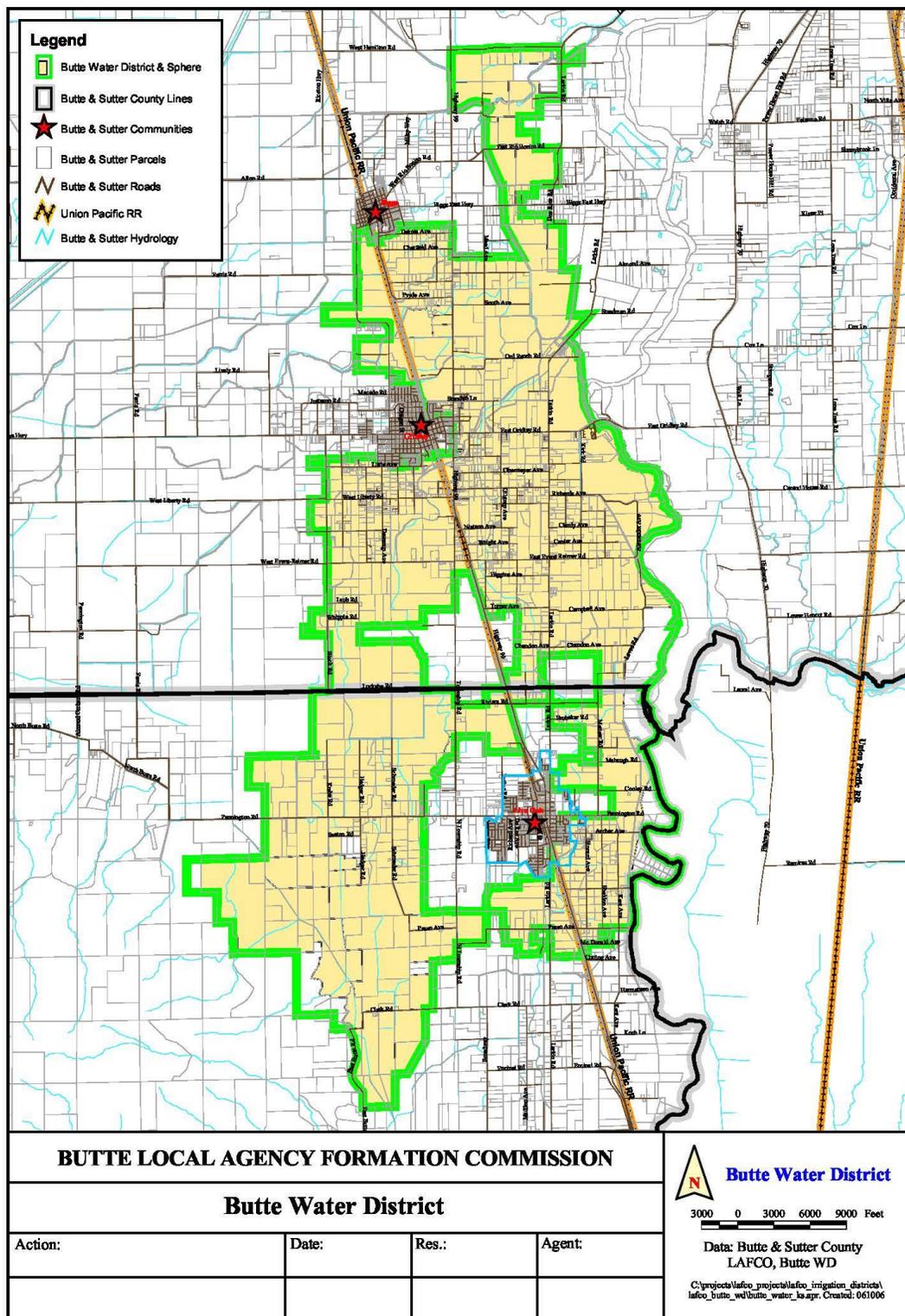
*Reports issued by the Grand Jury do not identify the individuals who have been interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.*

## ATTACHMENTS





The Butte Water Company office as seen in early 2016 near the completion of the renovation project





**DIRECTORS:**

*Joe Bozzo  
Ronald Giovannetti  
Charles Etcheverry  
Dale Smith  
Darin Pantaleoni*



*Mark Orme  
Manager-Secretary*

*735 Virginia Street  
Gridley, California  
95948*

*Phone 530-846-3100  
Fax 530-846-2519*

**Water Shortage Allocation Policy  
2015**

When Butte Water District is notified of a water deficiency by the Department of Water Resources (DWR) and/or in the opinion of the Board of Directors of Butte Water District there is a water shortage, the water will be apportioned on a pro-rata basis in accordance with this policy to all primary acreage for which a standby fee is paid, is capable of receiving Districts apply, and for which a timely and complete application is filed. Secondary acreage, acreage without necessary water distribution facilities to receive District water, and out-of-district acreage will not receive any water from the District.

The Board will require applications for water use to be due on or before March 7, 2014. Should no application be made at the proper time and in the proper manner, no water will be served, except upon direction of the Board, for that parcel for the irrigation season pursuant to Water Code section 35453.

The District's current rules regarding water allocations and use during the 2014 irrigation season are set forth below. Be advised, that these rules are subject to amendment by the Board of Directors at any time.

**A. Surface Water Allocation**

- a. District will deliver water only to Applicants who have timely and completely filed out an application. Applications will be due no later than March 7, 2014.
- b. District reserves the right to increase or decrease water allocations at any time based on new information or changed circumstances. The District will notify all Applicants concerning any amendments to their allocation.
- c. The District will not supply water in excess of each Applicant's allocation. The District will cease or reduce diversions if it the Applicant has exceeded or appears likely to exceed their respective surface water allocation.
- d. Surface Water Allocation – 50% Reduction
  - i. Rice: Rice acreage will be determined based on the current trends of water usage for rice. For the 2014 irrigation season, water will be provided to 50% of rice acreage.
  - ii. Orchards: Four to five irrigations for the season if flood irrigated on cultivated ground. Orchards with permanent sod may divide irrigations (e.g. irrigating odd and even rows at different times) upon request and approval of District.
  - iii. Orchards: No reduction if micro-jet irrigated – at District discretion.
  - iv. Row Crops: Four irrigations for the season.
  - v. Pasture: six irrigations for the season.
  - vi. Alfalfa: Four irrigations for the season.
  - vii. No post-harvest irrigations unless the District has water available.
- e. Assignments of Surface Water
  - i. Upon notice to the District, any Applicant may assign all or a portion of their allotment of irrigations, or in the case of rice, acreage to another block or field within the District that are owned or leased by the same Applicant, provided that the assigning field has been historically irrigated within the last 2 years.



- B. Use of Private Wells
  - a. An Applicant wishing to commingle their surface water allocation with groundwater must complete an Agreement to Use Groundwater.
  - b. An Applicant who wishes to use District facilities to wheel water from Applicant's private well to the same Applicant's other fields located within the District shall:
    - i. Execute an Agreement for Use of District Facilities to Wheel Groundwater for consideration of the District; and
    - ii. Provide an existing encroachment permit or complete and execute a new encroachment permit for consideration of the District.
  - c. All agreements governing the use of wells and groundwater are available at the District office. Completed forms may be approved by the General Manager at any time. If the General Manager refuses to approve the use of groundwater, the Applicant may seek reconsideration by the Board of Directors. Requests for reconsideration must be received on the Friday before the District's regular board meeting (the second Tuesday of each month) so that an item may be placed on the agenda for consideration by the Board of Directors.
  - d. The District reserves the right to grant or deny any agreement for any reason.
  
- C. There will be no inter-district transfers or assignments of surface water except upon application and prior approval of the Board of Directors. Nor will inter-district transfers or assignments of groundwater be permitted if using District facilities.
  
- D. Unlawful Taking of Water During a curtailment, either intentionally or unintentionally is prohibited. Examples of unlawful taking of water include failure to shut down gate after irrigation, or taking water without permission from the ditch tender. The District may impose any or all penalties available at law, including without limitation:
  - a. Under Penal Code § 592, unauthorized taking of water is a misdemeanor and persons doing so will be prosecuted.
  - b. First offense: Water shut-off until the next regular scheduled board meeting
  - c. Fines may apply
  - d. Landowner shall be required to pay back unauthorized use of water by pumping.
  - e. Fee to have water turned back on.
  - f. Installation by landowner of a meter to track inflow and outflow of water.



- ii. Applicants may assign all or a portion of their allotment of irrigations, or in the case of rice, acreage to another landowner/grower within the District, provided:
  - 1. The Applicant and the assignee complete a District assignment form and pay the District's rate for water and a onetime administrative fee of \$200.
  - 2. Completed assignment forms may be approved by the General Manager at any time. If the General Manager denies a request for assignment or, due to unique circumstances, is unwilling to approve or deny the request, the assigning landowner may seek reconsideration by the Board of Directors. Requests for reconsideration must be received on the Friday before the District's regular monthly board meeting (the second Tuesday of each month) so that an item may be placed on the agenda for consideration by the Board of Directors.
- iii. Conditions applicable to all assignments:
  - 1. An Applicant may assign water from one crop to a different crop, with fees to be based on an acre-foot basis.
  - 2. Applicants wishing to assign must provide the District with a map showing where the water will be assigned from one block to another. The assigning Applicant must provide acreage and crops (including varieties) for each field or block.
  - 3. The District will not consider or approve assignments of less than 1 irrigation or, in the case of rice, less than 50 acres.
  - 4. The District reserves the right to deny assignment requests for any reason, including without limitation, inadequate capacity to wheel the water through the District's facilities.
- f. Irrigation Practices
  - i. Irrigation must be done in a timely manner, at the discretion of staff. Water volume cannot change during the irrigation period.
  - ii. Landowner will provide a minimum of a 48-hour notice to the ditch tender for water orders.
  - iii. In order to conserve water and avoid spilling, water will be run on a 24-7 basis, as directed by staff. If a landowner does not comply, he will be moved to the end of the list.
  - iv. Growers will take water when available and directed by staff no matter the time of day or night. If a grower does not take the water at a designated time and water spills he will be subject to a fine or be required to pump back into District facilities a like amount of water that spilled and revert to the bottom of the irrigation list.
  - v. Wet dry ditches will be used on a rotating group basis or as directed by staff.
  - vi. Single Flood Criteria: Single flood only allowed on land that is growing a crop.
  - vii. Draining: During periods of drought, District will strictly enforce a no-spill policy. Failure to comply will result in the water being immediately shut off. In addition, the landowner will lose one full irrigation or offender may be subject to replacing water through a District designated pump at the offenders cost.



## Cities Report

### GASB GASP!<sup>1</sup>

#### SUMMARY

This is the first year that unfunded pension liabilities must be included on municipal balance sheets. Butte County and its five Cities have thus reported roughly \$275 million in unfunded pension debt. Annual payments to the California Public Employees' Retirement System (CalPERS) are growing, adding additional pressure to current budgets. As annual costs rise, the pressure to find additional revenue and/or cut current services will grow. Additionally, the unfunded costs of retiree health care will add a total of \$75 million of debt to the balance sheets in 2017.

#### BACKGROUND

The Grand Jury is required annually to review the Audit of the County. As part of this process, the Grand Jury learned of significant changes in governmental accounting policy. The Government Accounting Standards Board (GASB) issues rules and standards for municipal financial reporting. This year, GASB statements 68 and 71 required inclusion of unfunded pension liability in municipal balance sheets. Previously these were in the Notes. A similar liability is retiree health care costs, listed as Other Post Employment Benefits (OPEB). The Grand Jury wanted to know how much debt was added to the City and County balance sheets, to understand how much money was being spent annually on these debts, and to determine the trendlines for those costs.

#### APPROACH

The Grand Jury recognizes this is a political issue. There are opinion pieces stating this problem is overblown or that the promises are unsustainable. The Grand Jury does not take a position on these issues; reconciling those opinions is beyond the scope of this report. It is our intention to inform the citizens of Butte County of liabilities on their municipalities' balance sheets due to employee pensions, their annual costs, and the assumptions made to generate these numbers. The Grand Jury studied the financials of the County and its five Cities. (Although financials for the City of Biggs were studied, final numbers were not available at the time of this report.) There are other districts throughout the county that may have unfunded liabilities not included in these numbers.

#### Documents

The Grand Jury reviewed the following documents:

- Butte County Comprehensive Annual Financial Report (CAFR)  
[http://www.buttecounty.net/Portals/4/Financial\\_Reports/2015ButteCAFR\\_Final.pdf](http://www.buttecounty.net/Portals/4/Financial_Reports/2015ButteCAFR_Final.pdf)
- City of Chico CAFR



- <http://www.chico.ca.us/finance/documents/CAFRFinal.pdf>
- City of Chico CalPERS Actuarial Issues Presentation  
<http://www.chico.ca.us/finance/documents/2016-17Miscellaneous.pdf>
- City of Chico CalPERS Annual Valuation Reports  
<http://www.chico.ca.us/finance/documents/BACHicoCil6-03-15CalPERSMiscSafety14.pdf>  
<http://www.chico.ca.us/finance/documents/2016-17Safety.pdf>
- City of Oroville CAFR
- [City of Oroville, CA : Comprehensive Annual Financial Report \(CAFR\)](#)
- City of Gridley CAFR
- Town of Paradise CAFR  
<http://townofparadise.com/index.php/forms-and-documents/finance/1346-audit-06-30-15/file>
- CalPERS CAFR  
<https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf>
- Upcoming CalPERS Issues Presentation (Bartel Presentation Chico)  
[http://bartel-associates.com/docs/default-source/articles/10-19-15---calpelra-\(monterey\).pdf?sfvrsn=6](http://bartel-associates.com/docs/default-source/articles/10-19-15---calpelra-(monterey).pdf?sfvrsn=6)

## Interviews

The Grand Jury interviewed City Managers from the five Cities in the County. Other executives from the City of Chico were also interviewed as was the County Auditor.

## DISCUSSION

What is an unfunded liability? How is it calculated? Who determines the payments? How does the liability affect the annual budget? How will this shortfall be paid? What are the requirements to pay this off? And finally, what does this mean for the public?

As the Grand Jury explored the different financial reports, it discovered that municipal accounting is quite different from corporate accounting. Some rules and terminology may be different than everyday usage. The Grand Jury will use everyday language as much as possible to explain these issues.

Every year the County and each City produce annual financial reports along with audited financials, known as the Comprehensive Annual Financial Report (CAFR). Credit rating agencies use information found in the financial reports to assign credit ratings which are then used to determine the cost of borrowing. The annual reports contain both the Statement of Net Position (balance sheet) and the Statement of Activities (income statement). The Required Notes to the Financial Statements (Notes) explain unfunded liabilities along with details behind the calculations. The unfunded pension liability is calculated as the total pension liability minus the pension plan's net position. Essentially it is the difference between the total actuarial liability (cost) and the projected total assets of the plan. These totals are included on the entities' year-end balance sheet.



CalPERS is the pension plan for the County and each of its five Cities. Most municipalities have more than one plan. The safety pension plan includes police and fire, while the miscellaneous plan includes all other public employees except public school teachers. CalPERS employs actuarial professionals who analyze and project both the future liabilities and asset value of their investment portfolios. A summary of the principal assumptions and methods are outlined in the plans.

One of the critical assumptions in determining future unfunded liabilities is the discount rate. The discount rate is the long term projected return on investments and is set by the Board of CalPERS. They recently reduced this metric from 7.75% to 7.5% which projects a reduction in total asset value and, therefore, an increase in the unfunded liability. The Required Notes on pension plans include a report on the change to the unfunded liability based on a 1% shift in the discount rate. A 1% decline in CalPERS's portfolio's performance over time would result in a total unfunded liability of \$448,582,980 for the six entities studied, a 63% increase. Last year's CalPERS's total return was 2.2%; the return over the past 10 years was 7.3%.

CalPERS determines the payments for the pension funds of each participating municipality every year through a report called the CalPERS Actuarial Valuation Report. The annual contribution by each entity is based on a contribution to their unfunded balances and what they call "normal cost." Normal cost is the annual cost of pension liability without any of the additional charges added to pay for the plan's unfunded liability. This report sets the next fiscal year's contribution rate and also gives an estimate of the following year's contribution percentage. Municipalities are not given a total cost, only a contribution percentage against projected pensionable payroll. For example, in FY 16 the City of Chico will incur a 39% pension charge against every dollar of pensionable payroll. In effect, a \$100 payroll cost will end up being \$139. CalPERS has been raising the contribution percentages over time to help pay off the unfunded balances. These increases are expected to continue.

Pension commitments are considered unchangeable under California law and must eventually be paid. Recent municipal bankruptcies have not changed or challenged this.

Details on retiree health care coverage and costs can be found in the Notes to the financial statements Other Post-Employment Benefits (OPEB). An explanation of the specific coverages and costs are listed, and separate assumptions are described. No prefunding of these costs is required. Many of these liabilities have been calculated by the County and Cities at a significantly lower discount rate than CalPERS is using, resulting in a higher total liability. For uniformity throughout this report we have used the Unfunded Actuarial Accrued Liability (UAAL). These unfunded liabilities are due to be added to the balance sheets in 2017.



## Summary and Analysis

	Butte County	Gridley	Chico	Oroville	Paradise
<b>Assets</b>	\$ 394,085,263.00	\$ 41,317,195.00	\$ 581,477,622.00	\$ 99,303,857.00	\$ 23,205,572.00
<b>Pension Liability</b>	\$ (141,255,313.00)	\$ (7,778,821.00)	\$ (99,448,365.00)	\$ (12,987,351.00)	\$ (12,901,028.00)
<b>Health Care Liability (UAAL)</b>	\$ (47,629,292.00)	\$ (2,262,968.00)	\$ (10,993,717.00)	\$ (972,979.00)	\$ (13,495,020.00)
<b>% of Assets</b>	-48%	-24%	-19%	-14%	-114%
<b>Revenues</b>	\$ 94,281,949.00	\$ 1,901,415.00	\$ 53,475,552.00	\$ 8,734,594.00	\$ 10,232,314.00
<b>Annual Pension Contribution</b>	\$ (14,342,603.00)	\$ (706,316.00)	\$ (7,697,008.00)	\$ (1,646,163.00)	\$ (550,258.00)
<b>Annual Health Care Contribution</b>	\$ (2,403,577.00)	\$ (94,644.00)	\$ (255,955.00)	\$ (58,173.00)	\$ (730,096.00)
<b>% of Revenues</b>	-18%	-42%	-15%	-20%	-13%

### Butte County

Butte County provided detailed information on its unfunded liabilities in Notes 7 and 8 to its financial documents. In addition, Note 5 outlines additional liabilities related to Pension Obligation Bonds that are not included in this report. The County of Butte's unfunded pension liability is \$141,225,313, and is 81% funded. Should the CalPERS discount rate fall to 6.5%, the liability would rise to \$246,338,164; if the rate rises to 8.5%, the country's liability would fall to \$65,935,733. The County's latest reported (2013) OPEB liability is \$47,629,292, based on a 5% discount rate. The total unfunded debt is 48% of current assets. This fiscal year's contributions for both CalPERS and OPEB are \$16,746,180 and are 18% of current revenue.

### City of Biggs

Unfortunately, data from the City of Biggs was not available at the time this report went to the printer.

### City of Chico

The City of Chico provided detailed information on these items in Notes III-C and III-D to its financial documents. The City's unfunded pension liability is \$99,448,365 and is 71.5% funded. Should the CalPERS discount rate fall to 6.5%, the liability would rise to \$146,304,775; if the rate rises to 8.5%, the City's liability would fall to \$60,719,118. Chico's current reported OPEB liability is \$10,993,717, based on a 4% discount rate. The total unfunded debt is 19% of current assets. This fiscal year's contributions for both CalPERS and OPEB are \$7,952,963 and are 15% of current revenue.

### City of Gridley

The City of Gridley provided detailed information on these items in Notes 7 and 8 to its financial documents. Gridley's unfunded pension liability is \$7,778,821. Should the CalPERS discount rate fall to 6.5%, the liability would rise to \$11,746,656; if the rate rises to 8.5%, the city's liability would fall to \$4,495,180. Gridley's current reported OPEB Liability is \$2,262,968, based on a 5% discount rate. The total unfunded debt is 24% of current assets. This fiscal year's contributions for both CalPERS and OPEB are \$800,960 and are 42% of current revenue.



### City of Oroville

The City of Oroville provided detailed information on its unfunded liabilities in Notes 9 and 10 to its financial documents. In addition, Note 8 outlines additional liabilities related to Pension Obligation Bonds that are not included in this report. Oroville's unfunded pension liability is \$12,987,351. Should the CalPERS discount rate fall to 6.5%, the liability would rise to \$22,630,303; if the rate rises to 8.5%, the city's liability would fall to \$5,020,511. Oroville's current reported OPEB Liability is \$972,979, based on a 4% discount rate. The total unfunded debt is 14% of current assets. This fiscal year's contributions for both CalPERS and OPEB are \$1,704,336 and are 20% of current revenue.

### Town of Paradise

The Town of Paradise provided detailed information on its unfunded liabilities in Notes 8 and 9 to its financial documents. The Town's unfunded pension liability is \$12,901,028. Should the CalPERS discount rate fall to 6.5%, the liability would rise to \$21,563,082; if the rate rises to 8.5%, the City's liability would fall to \$5,468,271. Paradise's current reported OPEB liability is \$13,495,020, based on a 4.3% discount rate. The total unfunded debt is 114% of current assets. This fiscal year's contributions for both CalPERS and OPEB are \$1,280,354 and are 13% of current revenue.

### Further Discussion

As the Grand Jury finished gathering these numbers, questions remained unanswered. How much are contribution rates going up and for how long? With these additional funds coming into CalPERS, are the unfunded balances shrinking and when will they be fully funded?

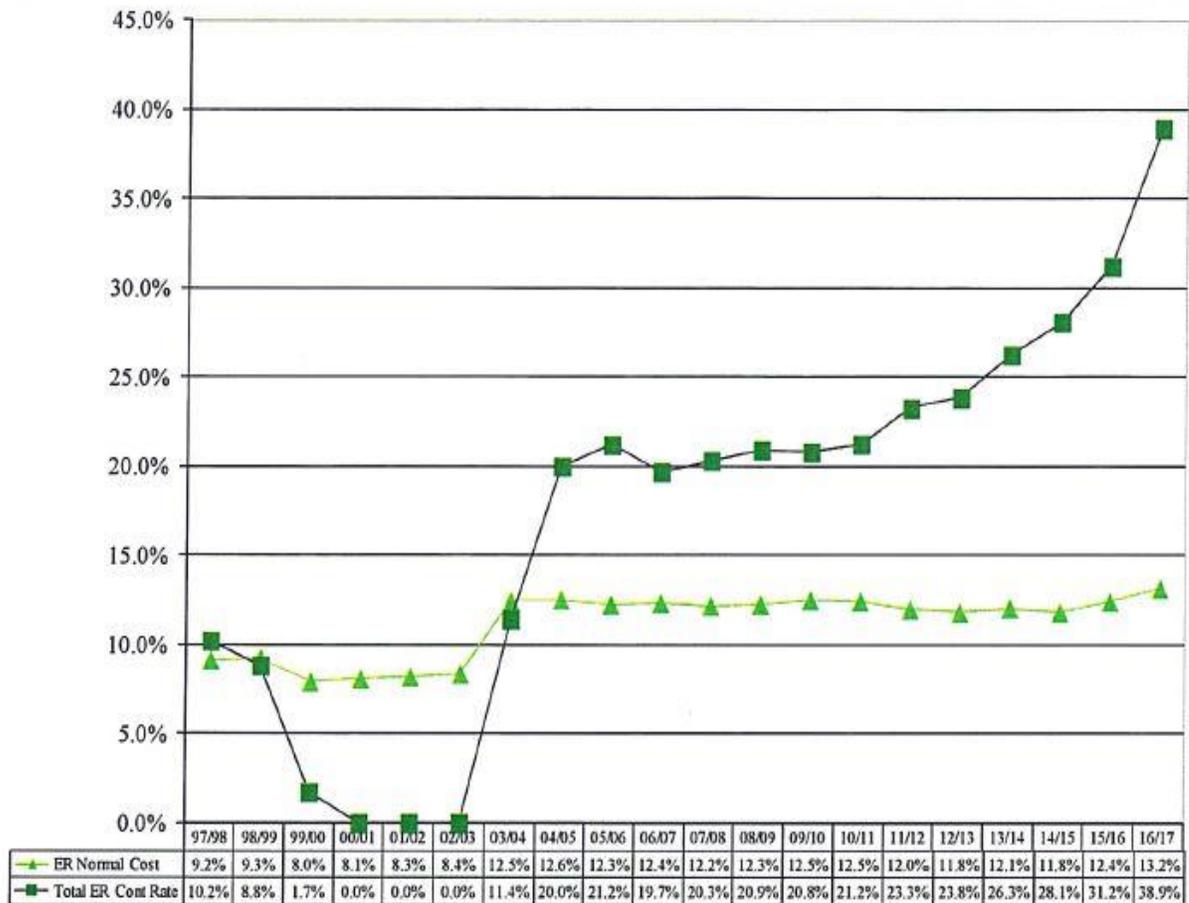
The City of Chico recently commissioned a study by Bartel Associates, a pension consulting firm, to answer questions about retiree medical and pension GASB valuations. On March 15, 2016, Bartel gave their report to the City of Chico. This study only concerned the City's pension liability; it did not include the OPEB unfunded liability. This analysis is specific to the City of Chico. However, Grand Jury conversations with other City Managers confirmed the general trends in their cities are similar to those in Chico. The following graphs address our specific questions. More information and comparative data are available within the Bartel report.

### HISTORICAL AND PROJECTED CONTRIBUTION RATES

The first graph, **Contribution Rates-Miscellaneous**, plots the historical contribution percentage from fiscal years 1997/1998 to 2016/2017. Contributions are shown as both the total costs (dark green squares) and the normal cost (light green triangles). The rates billed for repaying these unfunded liabilities have risen significantly.



### CONTRIBUTION RATES - MISCELLANEOUS

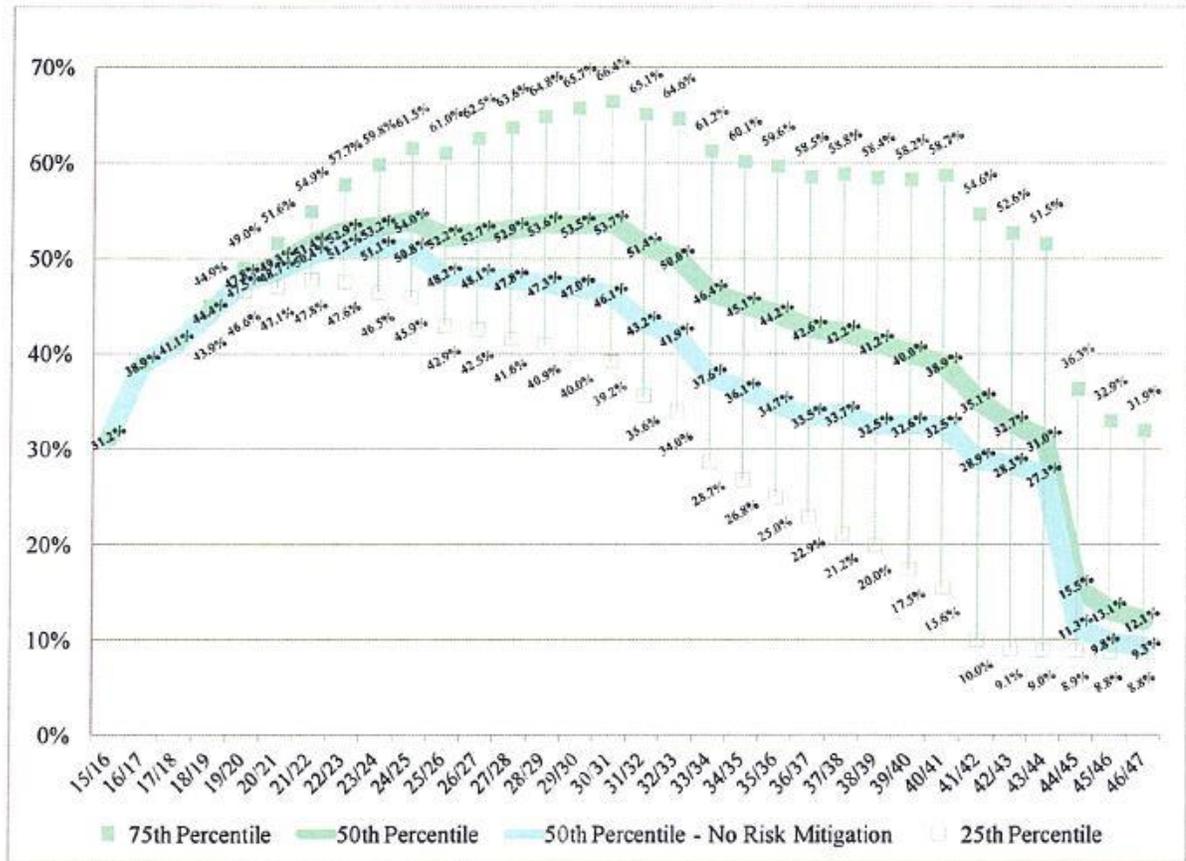


The Bartel report has graphs for both the safety and miscellaneous plans for the City of Chico. Overall they show roughly the same trends. For brevity, the Grand Jury has chosen to only include the miscellaneous plans, but invites a further review of the Bartel report.

The next graph, also labeled **Contribution Projections- Miscellaneous**, also plots the contribution rate over time. However this graph now shows the projected long term contribution rates from FY 2016-2047. Bartel shows CalPERS expected rate of return in the bold trend line labeled 50<sup>th</sup> percentile. Bartel also provides projections based on positive and negative scenarios. These results are shown on these graphs as the 75<sup>th</sup> and 25<sup>th</sup> percentiles



### CONTRIBUTION PROJECTIONS - MISCELLANEOUS

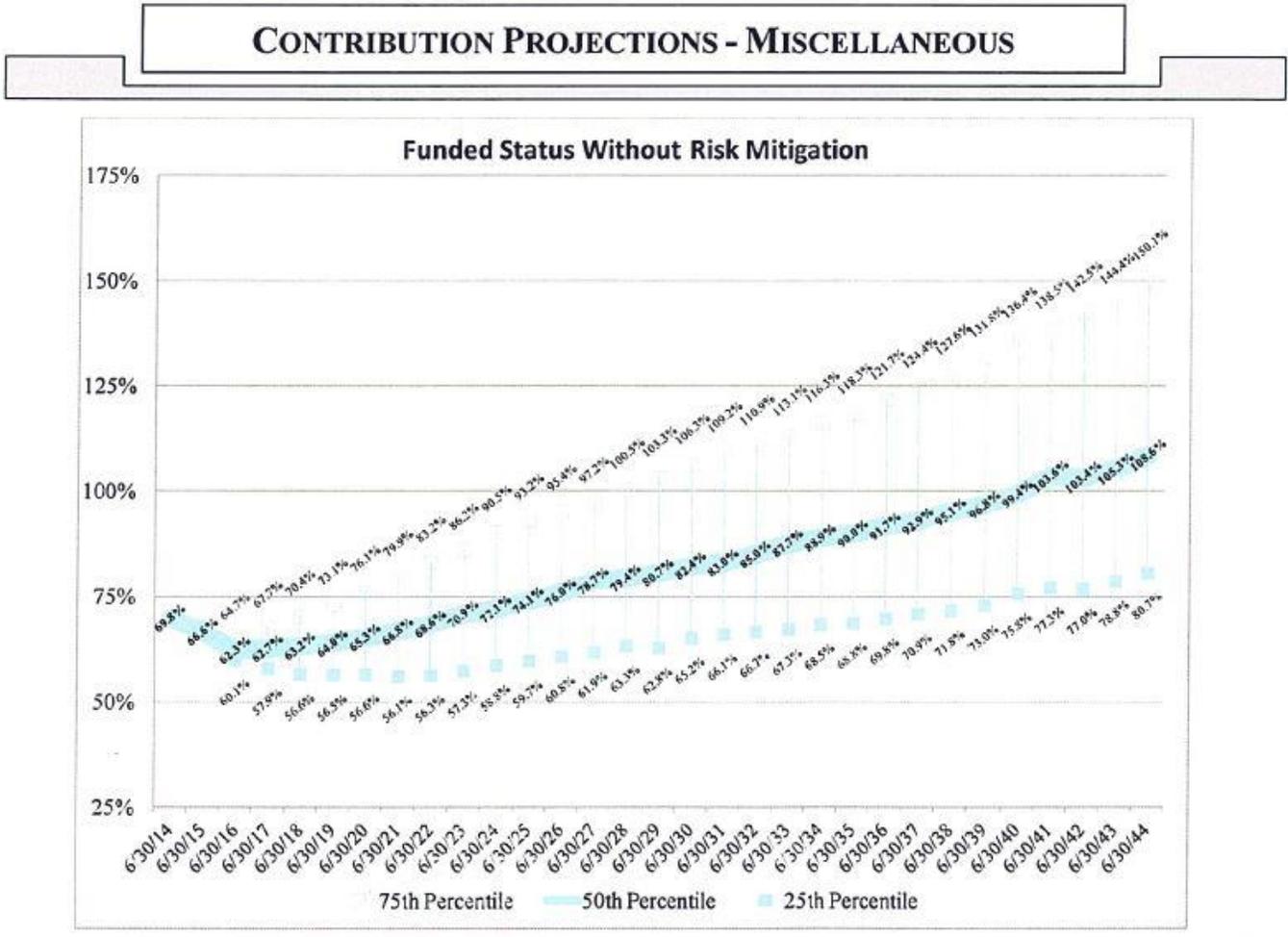


This graph shows that these rates are projected to rise until roughly 2030.

Our next question was how will the additional contributions work to lower total unfunded balances?



The graph below labeled **Funded Status Without Risk Mitigation** give us that answer. Here we have plotted the unfunded percentage of the plan over time.

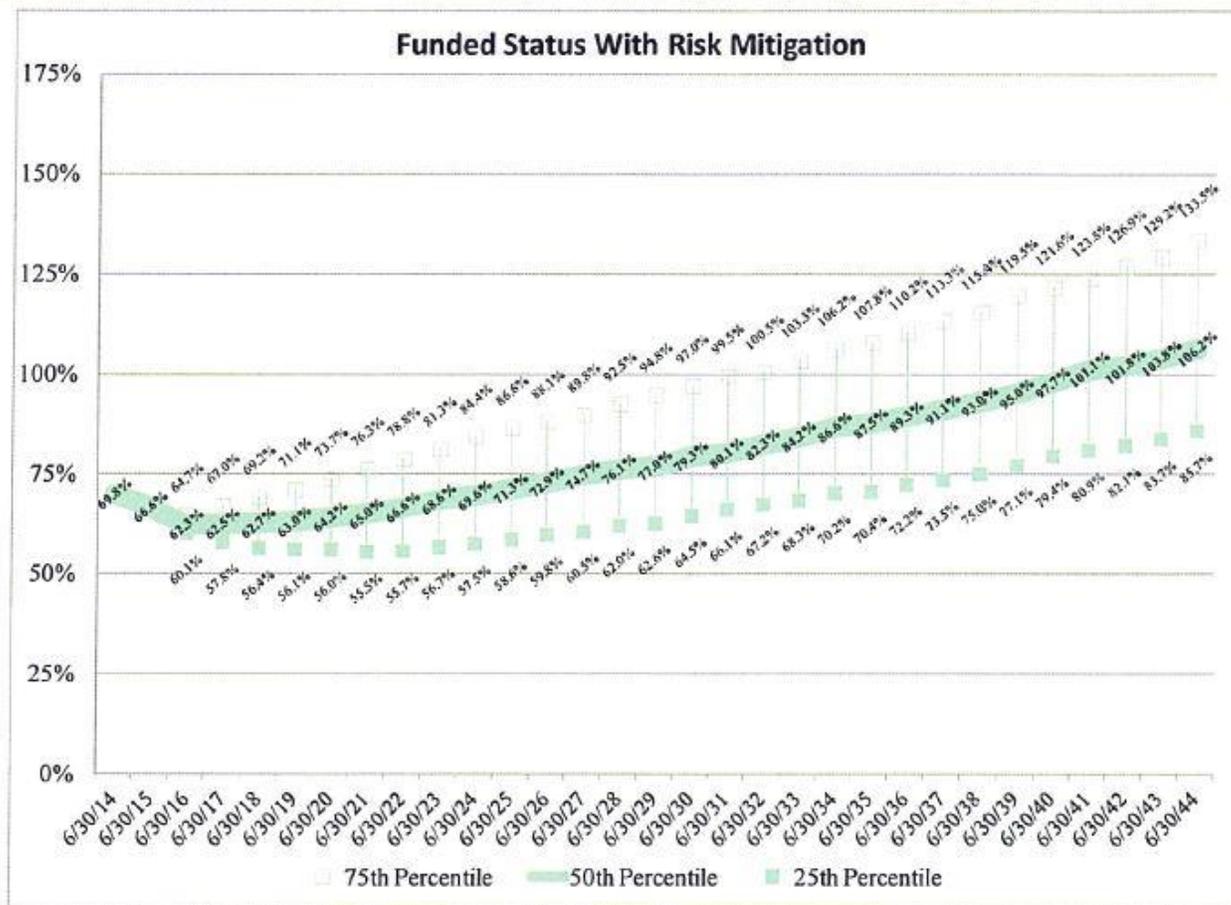


Based on these projections, the funded debt percentage declines until 2023 when it returns to today’s levels.

The term Risk Mitigation in the title is new. CalPERS has recognized that its portfolio’s historical results have been quite volatile. They have proposed several changes to their investment strategies that they expect will reduce this risk. They call these changes their “risk mitigation strategy.” The next graph plots the funded percentages over time if the risk mitigation strategies are put into place.



## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

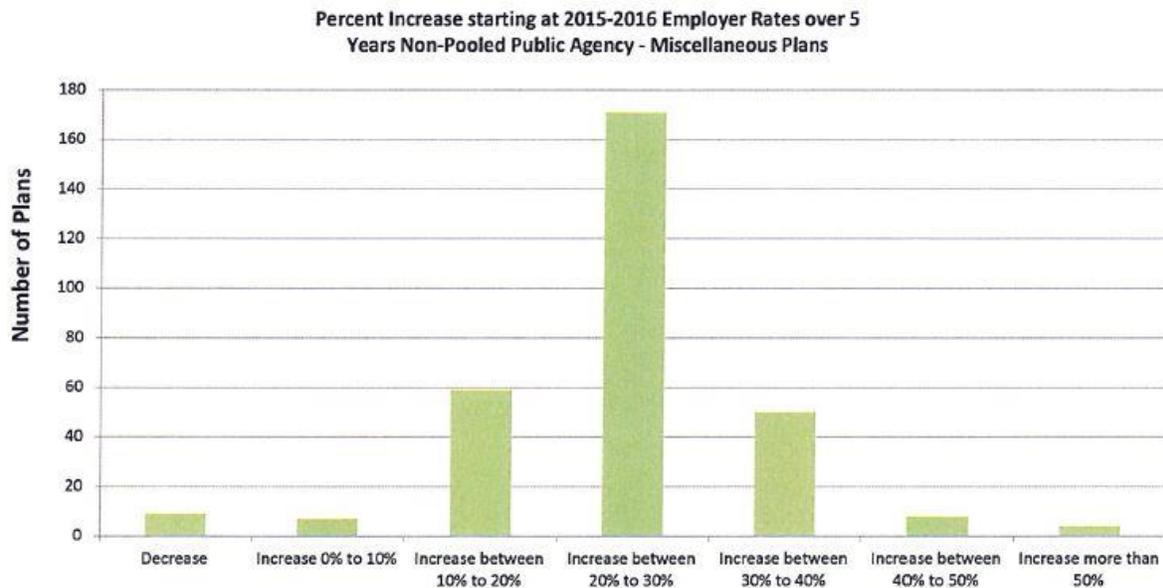


Chico’s funded debt percentage would return to its current level in 2022, a one year improvement over the current projections.

The last Comprehensive Audited Financial Reports have only come out in late spring, and the Grand Jury has not been able to follow up with the County or other cities mentioned to see what their projections are for both upcoming contributions and unfunded percentages. Another presentation by Bartel given with Alan Milligan, Chief Actuary of CalPERS, analyzed all of CalPERS plans, and provided further information on CalPERS’s risk mitigation plans. The following graph shows the five year outlook for all miscellaneous plans within CalPERS.



## Five Year Outlook for Miscellaneous Plans



Based on these estimates, the Grand Jury anticipates most of the studied entities will be facing similar challenges to those of the City of Chico. Since we expect the annual contribution rates to grow over the next two decades, the requirement to manage annual budgets with these additional costs may result in difficult decisions whether to reduce current services or pursue additional revenue.

### FINDINGS

- F1. Calculation of the unfunded liability is complex and unique to each municipality.
- F2. The five Cities in Butte County and the County itself have unfunded liabilities primarily due to CalPERS pension costs.
- F3. Additional unfunded liabilities exist for retiree health care, but these are not yet on the balance sheets.
- F4. Increases in a governmental entity’s unfunded liability would impact its financial status and credit rating.
- F5. Municipal contributions to CalPERS are projected to continue to rise which will result in pressure to cut services and/or require additional revenue.
- F6. The unfunded liability is likely to increase for many years before it begins to decrease.

### RECOMMENDATIONS/CONCLUSION

- R1. The County and Cities should post their CAFR and CalPERS Actuarial Valuations Reports on their websites.



- R2. The County and Cities should report on their unfunded liabilities, contribution rates and trend lines.
- R3. The County and Cities should conduct an analysis similar to the Bartel report and make that information available to the public on their websites.

## RESPONSES

Pursuant to Penal Code section 933.05, the following responses are required within 90 days:

- Board of Supervisors F1-F6 and R1-R3
- Chico City Council F1-F6 and R1-R3
- Biggs City Council F1-F6 and R1-R3
- Gridley City Council F1-F6 and R1-R3
- Paradise Town Council F1-F6 and R1-R3
- Oroville City Council F1-F6 and R1-R3

Responses are to be submitted to the Presiding Judge of the Butte County Superior Court in accordance with the provisions of Penal Code section 933.05.

## FOOTNOTES

<sup>1</sup> [HTTP://WWW.FOXANDHOUNDSDAILY.COM/2016/03/DOING-THE-GASB-GASP/](http://www.foxandhoundsdaily.com/2016/03/doing-the-gasb-gasp/)



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## **BUTTE COUNTY GRAND JURY REPORT**

### **HOMELESSNESS IN BUTTE COUNTY**

#### **SUMMARY**

The homeless situation in Butte County is frequently in the local news and is the object of much action here. In City Council meetings, councilors grapple with solutions as best they can. Law enforcement makes many calls concerning the homeless. Some local organizations providing food and/or shelter to the homeless are struggling with their finances. Many local churches open their doors to the homeless for a week at a time during the colder winter months (See Chico Enterprise Record article of 12/20/15). Citizens volunteer on designated days to help clean up encampments. Given all the attention and activity, the Grand Jury decided to gather information regarding local homelessness and, more specifically, the local government's role in addressing the situation.

The Grand Jury found that although there are millions of dollars spent on the homeless in Butte County, nearly all of the funds are from federal or state sources; minimal local taxpayer dollars are spent on this unique population and those that are spent are predominately for law enforcement activities. The Grand Jury did conclude that local efforts to address homelessness in Butte County and its cities could be enhanced and better coordinated.

#### **BACKGROUND**

Homelessness has become a national issue, but it is especially pronounced in California. Butte County and its five cities are no exception. It is a problem that is complex, unrelenting, and elicits strong opinions from citizens and government officials alike. Stories about the homeless can be found in the local newspapers nearly every week, ranging from front page articles to editorials and letters to the editor. Given the difficulty of the problem and the attention it attracts from so many in and out of government, the Grand Jury decided to look into the use of taxpayer dollars to address the homeless issue in Butte County.

#### **APPROACH**

##### **Documents**

- 2008 document establishing the Butte Countywide Continuum of Care committee (Continuum of Care).
- 2015 Homeless Point-in-Time Street Census, conducted by Continuum of Care.
- 10-Year Strategy to end Homelessness in Butte County devised by the Continuum of Care.
- Housing Authority of Butte County (Housing Authority) organization and census of housing units.



- Documents supplied by the Housing Authority showing number of homeless served by each of its programs and the cost of those programs.
- Documents supplied by the Butte County Behavioral Health Department (Behavioral Health) showing number of homeless people served by each of their programs/contracts and the costs for each of those programs.
- All of the Behavioral Health contracts relating to the homeless.
- Information supplied by each law enforcement jurisdiction in Butte County regarding the number and estimated cost of calls involving the homeless for the last six months of 2015.
- Minutes of the November 4, 2015 Local Government Committee meeting.
- Butte County Emergency Services plan as it relates to cold and hot weather shelters.
- Press release from the Torres Shelter on January 26, 2016 about its financial crisis.
- Email from the Stairways Program entitled "Assessment of Needs", February 9, 2016.
- 26 newspaper articles appearing in either the Chico Enterprise-Record or the Chico News and Review.
- Video entitled "Poor People's Film Festival", A Without a Roof Production, which shows interviews with homeless people in Butte County.

## **Interviews**

To gain perspective on the problem, the Grand Jury conducted 20 interviews with a cross section of people who work on the homeless situation. These interviews included three private, non-profit service providers who gave insight on the needs of the homeless and efforts to meet those needs. The Grand Jury also interviewed people from the Housing Authority which provides housing and rental assistance to many of the homeless. Additionally, the Grand Jury met with Behavioral Health which provides a variety of supportive services to those in the homeless community or those who are at risk of homelessness due to mental health and/or addiction issues. The Grand Jury interviewed city leaders from each of the five cities in the County and members of three local law enforcement agencies.

## **Meetings**

The Grand Jury attended two Chico City Council meetings, two meetings of the Local Government Committee, a group comprised of representatives from the City of Chico and the County, and the Countywide Homeless Symposium.

## **DISCUSSION**

There are numerous agencies and organizations, both private and public, which assist the homeless in our county. Privately funded organizations include the Torres Shelter, the Jesus Center, Stairways Programming, and many more. Their operations are funded mainly through donations, but Behavioral Health does provide case management and other supportive services to them. The governmental agencies include Behavioral Health, Employment and Social Services,



Probation, and the Sheriff's office. All five cities in the County are concerned with the homeless, but it is their law enforcement agencies which have the most direct contact with them. The Housing Authority (private, but governmentally funded) also provides housing and rental assistance to the homeless population.

The Continuum of Care is comprised of local agencies devoted to ending homelessness. The Continuum of Care has a vision of a countywide network of services and strategies that are cohesive, research-based, sustainable, and compassionate. It has representatives from most county governmental bodies and is charged with coordinating the efforts of those entities in conjunction with private service providers. To accomplish this, they meet quarterly. The Continuum of Care functions under the regulations of the United States Housing and Urban Development Department (HUD) which provides much of the funding to Butte County's homeless abatement efforts. It requires that each Continuum of Care receiving federal funds to aid the homeless complete a Point-In-Time census of the homeless population every two years, a snapshot in time of our local homeless. The report states the estimated number of homeless individuals and families, as well as demographics and unique needs that inform the Continuum of Care's planning process. The last census was conducted in January of 2015, and showed that approximately 1,127 people were identified as homeless in Butte County. Of those, 71% were male. The census revealed that 25% are currently sleeping in a place not meant for habitation and 25% are in emergency shelters. Also, 54% identify themselves as having a disabling condition: mental illness, physical disability, or addiction to drugs or alcohol. The census also identified 152 minor children<sup>1</sup>.

The privately funded service providers are the primary organizations which house and feed the homeless. These entities rely on donations and volunteers for support. From our interviews, the Grand Jury can confirm that they are run by compassionate and dedicated people who continually struggle for funds sufficient to maintain their community service. The Torres Shelter, one of the major shelters in Butte County, had to appeal to the public to remain open (see Chico Enterprise-Record article of 1/28/2016). Each service provider has a unique approach to the services provided and the ways in which those services are offered. The Torres Shelter provides overnight shelter and accepts only those who are free of drugs and alcohol, and who have no pets; they also house many homeless families. The Jesus Center primarily feeds the homeless, offers overnight shelter to women and children, and offers job related services as well. Other shelters focus primarily on families with children. Stairways Programming accepts people regardless of their addictions or ownership of pets, taking a "housing first" approach wherein they shelter their clients first and foremost, then provide them with whatever support services they may require, whether medical, mental health, employment, training, etc. The housing first approach has had success around the country.<sup>2</sup> It is touted by some local service providers. Housing First requires two major components: availability of low cost housing and a sufficient number of social workers, psychologists, and psychiatrists to provide necessary supportive



services. Unfortunately, neither of those is readily available in Butte County. The vacancy rate for apartments in Chico was 1.8% in January 2016 (See *The Liaison*, February 2016, a publication of the North Valley Property Owners Association). According to Behavioral Health, recruiting those professionals to Butte County is very challenging. Regardless of their approach, each of the providers is serving a particular segment of the homeless population in need of help and attention.

Nearly all of the service providers indicated the need for a “day shelter” where the homeless could go during the day, especially in the colder winter months. For a few weeks in winter, the shelters are supplemented by the Safe Space program organized by the Chico Housing Action Team which works with local churches to provide food and shelter to 50 or 60 homeless individuals for one week each. Additionally, the Butte County Emergency Services Plan requires the opening of a warming center if the night time temperature is expected to drop below 25 degrees. This seems to be a stringent requirement considering, for example, that the City of Chicago opens its warming centers if the temperature falls below freezing<sup>3</sup> and Lompoc, California opens its shelter if the temperature is expected to be below 35 degrees<sup>4</sup>.

Since our charge as a Grand Jury is to review the efficiency and effectiveness of local government, this report focuses on the governmentally funded efforts and programs to assist the homeless in Butte County and its cities.

The Butte County Department of Behavioral Health (Behavioral Health) is a major source of governmental funds to provide services to the homeless people in Butte County. In fiscal year 2015-2016, Behavioral Health has a total budget of \$9,760,145 to serve the homeless; all but \$163,000 comes from the state of California, primarily through the Mental Health Services Act (MHSA). Nearly all of the funds are a result of successful grant applications submitted by Behavioral Health. The grants are very specific in how the funds can be used and what the expected outcomes are. Behavioral Health spends its money primarily in four ways: emergency housing for people with immediate, serious mental health or other issues; transitional housing where people who would be homeless or were formerly homeless can live and receive supportive services ranging from a couple of months up to two years; permanent housing where formerly homeless people who need minimal supportive services can live indefinitely; and, finally, supplying the psychological counseling, daily living assistance, and other services most of the homeless population require in order to function off the streets. These latter supportive services consume about \$3,751,000. In this fiscal year budget, there is also \$2,236,592 to construct an apartment for permanent housing near Costco. Through the first two quarters of FY 2015-2016, Behavioral Health has served approximately 1,031 homeless or would be homeless people (many in more than one way); if the funds for the apartment construction are excluded and the number served is annualized, this amounts to approximately \$3,649 per person served.



The Housing Authority of Butte County (Housing Authority) is the other major source of government funding. Its 2014-2015 budget for the homeless was \$1,290,499, with all but about \$14,000 coming from HUD grants. Once again these grants specify how the money will be spent and what outcomes are required. The Housing Authority spends its homeless budget providing rental assistance to the chronically homeless and severely mentally ill, including veterans who were the recipients of \$648,000 in rental assistance in FY 2014-2015. In that fiscal year, the Housing Authority housed 229 homeless or formerly homeless people at a cost of \$5,635 per person or \$470/month.

The other primary expenditure of government funds involving the homeless population is local law enforcement costs; these are just about the only local tax dollars spent except for salary costs for the time government employees spend in meetings discussing homelessness. The Grand Jury asked the Butte County Sheriff's office and the five city police departments to estimate the money they spent in responding to calls involving homeless people for the last six months of 2015; we then annualized this data. All indicated that this was impossible to accurately compute because they do not record their calls by a person's housing situation but rather by the incident or crime committed. To illustrate the difficulty, a call might come into dispatch and be initially identified as two street people fighting, but in the end it might be classified as an assault and the homeless identifier would be lost. Nonetheless, each law enforcement agency was able to identify some calls in their dispatch data bases that clearly involved the homeless and each provided the Grand Jury with the best estimates they could; we recognize that the costs provided to us represent the lowest possible cost incurred. The estimated total for all law enforcement activities, except incarceration, in 2015 was \$753,000. The highest expenditures are for the cities of Oroville and Chico, and the Sheriff's office, and the lowest are for Gridley/Biggs and Paradise. Of interest, the Sheriff's Department routinely dispatches an inmate road crew who clean up public lands throughout the county. In 2015, it is estimated that this crew cleaned up 270 homeless/transient encampments at a total cost of \$278,586 (annualized). In Oroville, their Municipal Services Law Enforcement Program is significantly devoted to working on homeless issues; their expenditure for 2015 is estimated at \$233,500.

In March of 2016, the Chico City Council expanded the Offenses against Waterways and Public Property ordinance originally passed in fall 2015. (See Chico Enterprise-Record article of March 2, 2016). This ordinance bans the storage of personal property on public lands, prohibits public urination and defecation, and consuming alcohol in public spaces. This ordinance has generated strong and conflicting views from Chico residents. Many homeless advocates believe that the law criminalizes homelessness and is unconstitutional (See Chico News and Review article of 9/17/2015). Others believe that this will enhance the quality of life for Chico residents, especially downtown.



Also in the fall of 2015, the Chico Police Department implemented a Target Team whose charge is to visit those areas of the city where crime is common and to enforce the Offenses Against Public Property Ordinance (See Chico Enterprise-Record article of September 30, 2015). According to a Chico Enterprise-Record article of March 2, 2016, the Target Team has taken an educational approach to the homeless with 563 contacts resulting in only two citations. One local service provider, Stairways Programming, which coordinates with the Target Team, says it has identified, housed and provided supportive services to twenty of the most intransigent homeless people, ones who spent a total of 660 nights in jail in the five months before they were housed (Chico Enterprise-Record, March 1, 2016). The long term success of this approach to the homeless situation remains to be seen and criminalization remains a threat, but this “community policing” method may have merit in helping to identify the most severely afflicted of the homeless population and obtaining permanent assistance for them. There has been some discussion about a social services professional accompanying the Target Team in visits to the homeless population.

On April 15, 2016, the Local Government Committee, an ad hoc entity with members primarily from the Butte County Board of Supervisors and the Chico City Council, sponsored a Countywide Homelessness Symposium which included representatives from county government, all five cities in the County, many local service providers, and all law enforcement agencies. The purpose of the symposium was to share information regarding the efforts and funds each entity was expending on the homeless issue.

Given best estimates, Butte County spent approximately \$11,804,000 last year addressing the homeless population. Of this, about \$11,000,000 is from federal and state sources, which is spent by Behavioral Health and the Housing Authority, almost exclusively on housing and supportive services. Law enforcement spends a minimum of about \$750,000 responding to calls concerning the homeless/transient population. Despite this, the county still has over 1,000 homeless people in its midst.

## **FINDINGS**

- F1. The private service providers in Butte County offer shelter and food to various segments of the homeless population in a compassionate way, despite their insufficient funds
- F2. Over half of the homeless population suffers from mental illness, substance/alcohol abuse or both.



F3. The federal and state funding for our local governmental agencies allows almost no local flexibility in how the money is spent even though it appears to be spent appropriately on housing assistance and supportive services.

F4. Every professional interviewed who is knowledgeable about the homeless agrees that providing housing is the overriding need.

F5. Although the Housing First model seems to be effective, Butte County does not have the resources: housing, money, or the professional staff, to fully implement it.

F6. County-wide cooperative efforts involving all local government agencies and private providers to address the problem have been fragmented. Continuum of Care has attempted to fill this coordinating function, but its board meets too infrequently and does not appear to have sufficiently high level governmental membership or support.

F7. The Emergency Services plan requiring nighttime temperatures be below 25 degrees before triggering warming shelters seems unreasonable compared to at least two other cities.

F8. Law enforcement expenses in responding to situations involving the homeless are difficult to calculate.

F9. The Homeless Symposium represents an excellent start for the coordination of all government and service provider efforts to address the homeless.

## **RECOMMENDATIONS/CONCLUSION**

R1. Continue the initiative represented by the Homeless Symposium to formulate and coordinate a county wide plan to address the homeless population in Butte County. Utilize the Continuum of Care "10-Year Strategy to End Homelessness" as a starting point.

R2. Emergency Services should re-evaluate the requirement that the temperature be below 25 degrees before implementing a warming shelter for the homeless. The Grand Jury would recommend 32 degrees be the standard.

R3. Local law enforcement agencies should explore more accurate ways to track dispatch calls involving homeless people, so the economic impact of the law enforcement effort can be determined.



R4. The Chico Police Target Team should work with Behavioral Health to add a professional social services person to the team when they are calling on the homeless.

R5. All of the service providers and local governments should explore the possible funding of a day center.

## RESPONSES

Pursuant to Penal Code section 933.05, the following responses are required within 90 days:

- The Local Government Committee: respond to R1.
- Butte County Emergency Services: respond to R2.
- The Sheriff's Office, and the Police Departments of Chico, Oroville, Paradise, and Gridley/Biggs: respond to R3.
- The Chico Police Department: respond to R4.

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

- Butte County Department of Behavioral Health: may respond to F1, F2, F3, F4, and R4 and R5.
- Butte Countywide Homeless Continuum of Care: may respond to F6 and R1
- Housing Authority of Butte County: may respond to F1, F2, F3, F4, and R4 and R5.

## DISCLAIMER

None

## FOOTNOTES

<sup>1</sup>See <http://buttehomelesscoc.com/reports/pit/index.php> for the full survey

<sup>2</sup>See [https://en.wikipedia.org/wiki/Housing\\_First](https://en.wikipedia.org/wiki/Housing_First) for a definition and See [http://fobh.org/what-we-support/housing-first/?gclid=CO\\_D6crqwMsCFYpffgodJU4MJg](http://fobh.org/what-we-support/housing-first/?gclid=CO_D6crqwMsCFYpffgodJU4MJg) regarding Boston, [pathwaystohousing.org](http://pathwaystohousing.org) regarding the state of Utah, and other success stories at <http://www.irp.wisc.edu/dispatch/tag/housing-first/>.

<sup>3</sup>[http://www.cityofchicago.org/city/en/depts/fss/provdrs/emerg/svcs/dfss\\_warming\\_centers.ht](http://www.cityofchicago.org/city/en/depts/fss/provdrs/emerg/svcs/dfss_warming_centers.ht)

<sup>4</sup>[http://lompocrecord.com/news/local/article\\_439f91de-f79c-11df-ad71-001cc4c03286.html](http://lompocrecord.com/news/local/article_439f91de-f79c-11df-ad71-001cc4c03286.html)

## GLOSSARY

- Behavioral Health: Butte County Department of Behavioral Health
- Housing Authority: Housing Authority of Butte County



- HUD: United States Department of Housing and Urban Development
- MHSA: California Mental Health Services Act
- Service providers: private organizations which provide shelter, food, and supportive services to the homeless.
- Supporting services: the social services, psychiatric and medical services and daily living assistance provided to the homeless.



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## **How Does Butte County Employees' Compensation Compare?**

### **SUMMARY**

The 2015/2016 Grand Jury's investigation into the salary and benefits being paid to Butte County employees was prompted by a newspaper article reporting a recent employee survey and the first-ever strike conducted by County employees.

The Grand Jury found County employees are paid 10-15% less than those in comparable counties. We also learned premiums for health insurance plans offered to employees have increased over the last five years; in some cases they went up over 500%. Low wages and the increase in health care costs have had a negative impact on the retention of employees and the recruitment of qualified candidates to fill vacancies.

There are several reasons that make increasing employees' salaries a complex matter. They include limited revenue due to low property taxes and high expenditures for services such as fire protection. Even a 1% increase in wages across the board would cost the County an estimated \$1.5 million.

No County representative denied there was a problem and both County administrators and union members openly shared their thoughts on this dilemma. All were in agreement that a solution must be found and seemed to be working cooperatively towards that goal.

The Grand Jury's recommendations include that the Board of Supervisor (BOS) support a plan to improve Butte County's ability to retain and attract new employees and that an alternative to the current insurance plan be explored. We also recommend a standard system be used to determine and track the reasons for increased turnover of County employees.

### **BACKGROUND**

On September 24, 2015, the Chico Enterprise-Record reported, "A survey of Butte County government employees conducted by county administration in May 2015 showed heavy dissatisfaction with compensation". The article went on to say the results showed 61% of the employees who responded to the survey were dissatisfied with their salaries and 75% were equally dissatisfied with their health plan contributions.

Shortly thereafter, on October 26th and 27th, the newly formed Skilled Trades Unit, a bargaining unit which represents Butte County employees in public works, animal control, telecommunications, and other classifications, held an informational strike to demonstrate their frustration over lack of progress at the bargaining table. This was the first public employee strike in Butte County. The main issues in the contract negotiations were salaries and health insurance costs.

The Grand Jury investigated these issues: How does Butte County government employees' compensation compare to employees in other nearby counties, cities, and towns? Has the net income of employees decreased as the cost of living has increased?



## APPROACH

### Documents

The Grand Jury reviewed the following documents:

- Butte County Employee Survey Summary;  
<http://www.buttecounty.net/Portals/17/LaborRelations/SurveyResults.pdf>
- Chico Enterprise-Record:
  - *Survey shows most Butte County government employees unhappy with wages, health care cost*; September 24, 2015;
  - *Butte County public works employees to strike next week*; October 19, 2015;
  - *Butte County supervisors pick three options for possible fire service change*. February 23, 2016
- Butte County Finance Review Fiscal Year 2015-2016, January 2016;
- Butte County Management Employee's Association (BCMEA) Memorandum of Understanding 2005-2008, 2008-2010 & 2014-2016;
- Board of Supervisor meeting video; February 23, 2016: Cal Fire Options 4.08;  
[http://buttecounty.granicus.com/MediaPlayer.php?view\\_id=2&clip\\_id=303](http://buttecounty.granicus.com/MediaPlayer.php?view_id=2&clip_id=303)
- Government Compensation in California; <http://transparentcalifornia.com>
- Butte County Salary Ordinance and Position Allocation March 8, 2016;  
[https://www.buttecounty.net/Portals/17/LaborRelations/Salary\\_Ordinance.pdf](https://www.buttecounty.net/Portals/17/LaborRelations/Salary_Ordinance.pdf)
- California Property Tax Information: <http://www.lowtaxrate.com/california>;  
<http://www.tax-rates.org/california/property-tax>

### Interviews

The Grand Jury interviewed employees from Butte County's Administration and Human Resources departments, and representatives from the County's labor units.

## DISCUSSION

Butte County is managed by five elected members of the Board of Supervisors and consists of 23 departments including Administration, Employment and Social Services, Assessor, Behavioral Health, and Sheriff. As of March 2016, there were 2,428 allocated positions that fit into 517 classifications. Employees are represented by twelve official labor groups/bargaining units which negotiate individual contracts for their members. These contracts may have slight differences in their details, including compensation, but are similar in overall content.

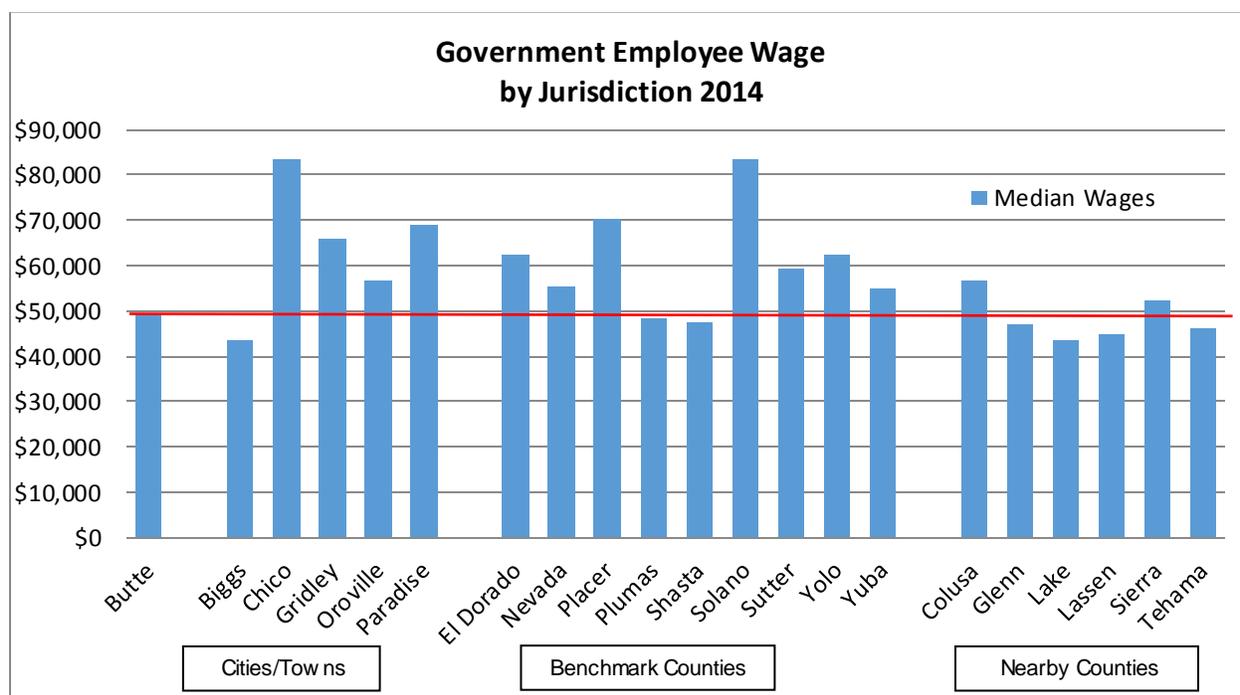
### Employees' Dissatisfaction with their Compensation

In May 2015, County administration conducted an anonymous online survey of Butte County employees. The survey was sent to about 2,000 employees and 992 employees responded. The



areas addressed by the survey included job satisfaction, recognition by management and peers, job training, opportunities for advancement, management, communication, and compensation. The results, which were released in September 2015, were generally favorable in many areas. However, on the subject of compensation, 61% reported being dissatisfied with their salary and 75% with their health plan contributions. The Sheriff and District Attorney departments conducted a separate survey. Those results are not included in this report.

Butte County administrators were well aware of employees’ dissatisfaction. They estimated that current salaries were 10-15% below salaries of their benchmark counties. These counties are determined by County administration and union representatives to be comparable to Butte County in organizational structure, geography and socio-economic factors. The labor unions’ representatives also expected these survey results. The graph below shows the median wage for full-time employees in the benchmark and nearby counties and in local jurisdictions.



Butte County’s median wage was not only less than seven of the benchmark and two of the nearby counties, but also four of the County’s five jurisdictions.

Part of a County employee’s benefit package includes health insurance which covers medical, dental, and vision. Employees who work 50% or more must use the insurance offered by the County or show proof that they are enrolled in another comparable insurance plan. California Public Employees’ Retirement System (CalPERS) is the provider of the insurance plan options. An employee can choose from four plans and may cover themselves, themselves plus one family member, or their entire family (Family Plan). The County and the employee share the cost of the insurance. According to a 2005-08 Memorandum of Understanding, the County’s contribution towards the cost of the employee’s insurance was 80%. The same was true for most bargaining units at that time. When contracts were renegotiated in 2010, during the recession, the contribution was not increased to meet the increased 2010 insurance cost. The County’s

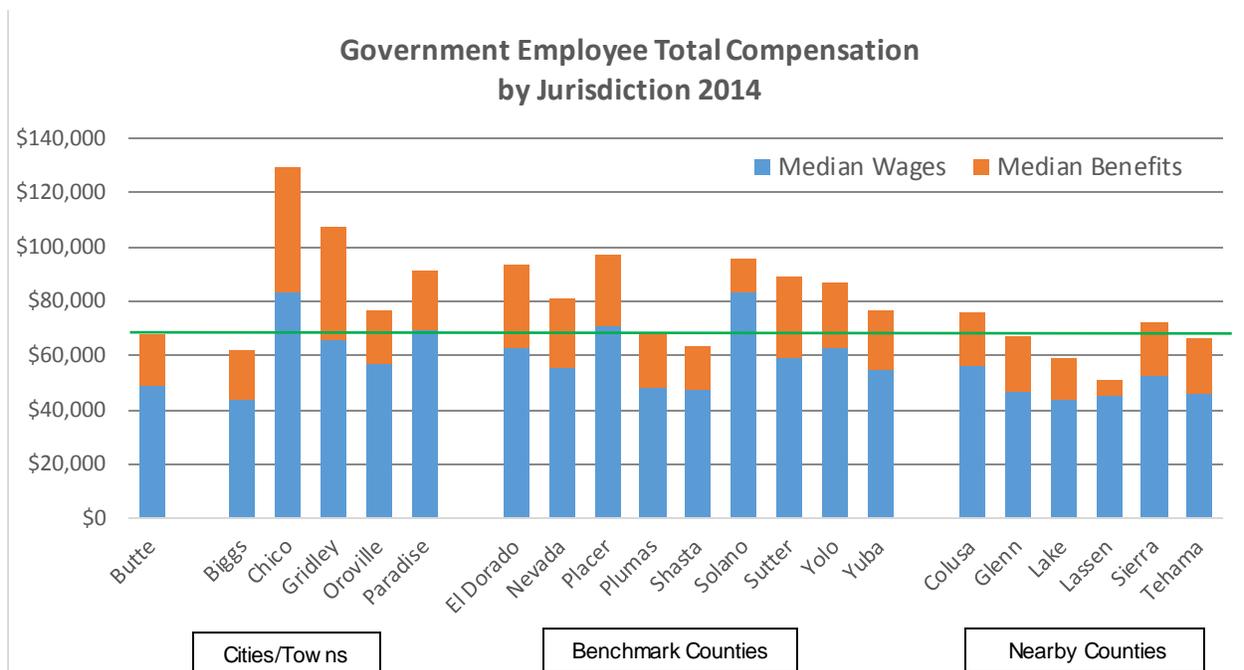


contribution was a fixed dollar amount, referred to as a flat rate formula, instead of a percent. This formula is still in effect. The chart below uses the example of a Family Plan to show the cost increase in the plans and the cost to the employee between 2011 and 2016.

CalPERS Healthcare Monthly Premium for Family Plan								
CalPERS Plans	2011			2016			Increase to Employee's Cost	
Family Plan	Total Premium	County Cost	Employee Cost	Total Premium	County Cost	Employee Cost	Monthly Increase	Increase Percent
HMO	\$1,906	\$1,262	\$644	\$2,413	\$1,263	\$1,150	\$506	79%
Select	\$1,371	\$1,262	\$109	\$2,017	\$1,262	\$755	\$646	592%
Choice	\$1,550	\$1,262	\$288	\$2,194	\$1,262	\$932	\$644	223%
PORAC	\$1,377	\$1,262	\$115	\$1,914	\$1,269	\$645	\$530	461%
<b>Average</b>	<b>\$1,551</b>	<b>\$1,262</b>	<b>\$289</b>	<b>\$2,135</b>	<b>\$1,264</b>	<b>\$871</b>	<b>\$582</b>	<b>201%</b>

On average the healthcare plans offered by CalPERS increased \$582 per month since 2011. Due to the flat formula, the entirety of the increase is paid by the employee. Not only have employees incurred the increase in health care cost but, since 2013, they have been contributing 7% of their salary towards their CalPERS retirement fund. Prior to 2013, Butte County had paid both the County's and employee's portion towards retirement. The increase in health care coupled with the 7% for retirement has substantially impacted employees' net salary or take-home pay, especially for those whose salaries are on the lower end of the pay scale.

As shown in the graph below, the County's flat rate formula and decreased retirement contribution has resulted in a total compensation package lower than most other jurisdictions.





## **How did Butte County get to this point?**

The fact that Butte County's total compensation is lower than other jurisdictions was acknowledged by all those interviewed. They also agreed on several reasons for this. One was Butte County's low revenue from property taxes. The revenue collected from property taxes makes up approximately 64% of the County's General Fund. The General Fund supports 20% of the County's total budget and funds various departments, most notably public safety. The remaining 80% of the County's budget comes from State and Federal sources. The State Controller's office places Butte County 53<sup>rd</sup> lowest out of 58 counties based on property tax revenue per resident. Butte County's low ranking stems from decisions made prior to the passage of Proposition 13 in 1978. Previously the County had reduced its property tax rate several times. When Proposition 13 went into effect the tax rates were fixed at no more than 1% of the 1975-76 tax bill. This amount could only increase if the property was reappraised due to sale or new construction. Although property sales and new development have resulted in some increases in tax revenue, the property tax reductions prior to Proposition 13 still result in Butte County receiving less overall revenue than most other counties. Without a sufficient revenue source, it is difficult to increase salaries and/or benefit packages. It is estimated a wage increase of 1% for all employees would cost the County \$1.5 million; of that, \$500,000 would come from general purpose revenue.

Another issue was the high cost of fire protection which is provided by Cal Fire. The 2015-16 Cal Fire contract with the County is over \$15 million. This expense heavily impacts the General Fund and is currently being examined by the Board of Supervisors. At the February 23, 2016 BOS meeting there was a presentation by a consultant who outlined six options to the Cal Fire contract. The options were discussed, and the BOS requested additional information on three of the options to be presented at a future Board meeting. A decrease in the cost of fire protection could result in an increase in the General Fund resources.

Finally, there is the high cost of health insurance. The Grand Jury looked at two issues that make the CalPERS plans so expensive. The first is that all the options are for "Cadillac" plans offering a high level of coverage with low deductibles. Adding the choice of a high deductible "catastrophic" plan might be an alternative for some employees. The second reason is that CalPERS assigns counties to one of five regions. Each region pays a different premium rate based on location, available competitive healthcare services, and their utilization of services (cost to the insurer). Butte County has been placed in the Northern California Region with the smallest counties which have very limited access to medical providers. Although this is not the case for Butte County residents, CalPERS has been resistant to moving the County to the Sacramento region which pays a lower premium. Butte County Administrators and Union representatives have met with CalPERS and have been attending their Board meetings to request a review of Butte County's rates. They have also asked CalPERS to provide the County with utilization data. At this point CalPERS has refused these requests citing proprietary reasons.

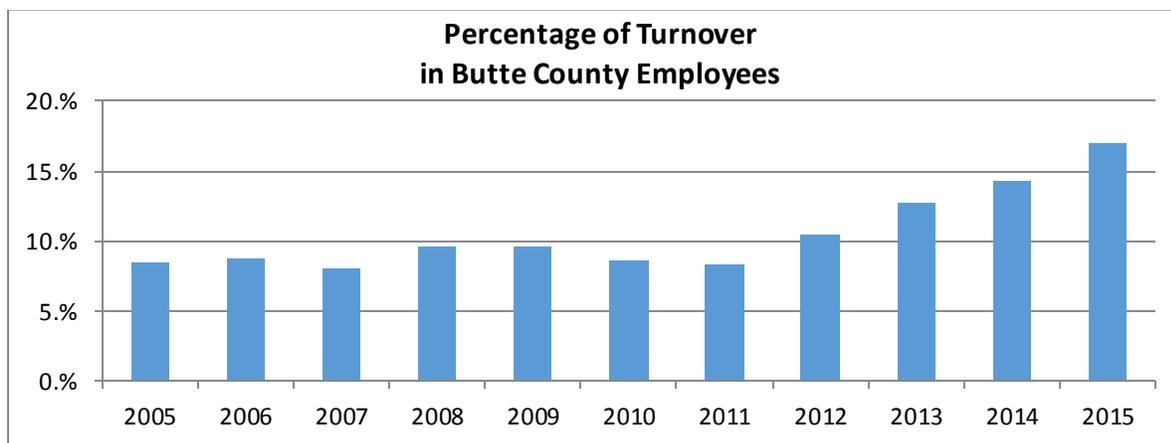
Butte County is not locked into using CalPERS' plans and any bargaining unit may vote to opt out and select another insurance pool. However, this poses a few challenges. In June CalPERS announces the rate for the next year and a county is given sixty days to opt out. If that decision is made, the unit is locked out of CalPERS plans for five years. Without access to utilization data it is difficult to know if switching to another pool would result in lower premiums.



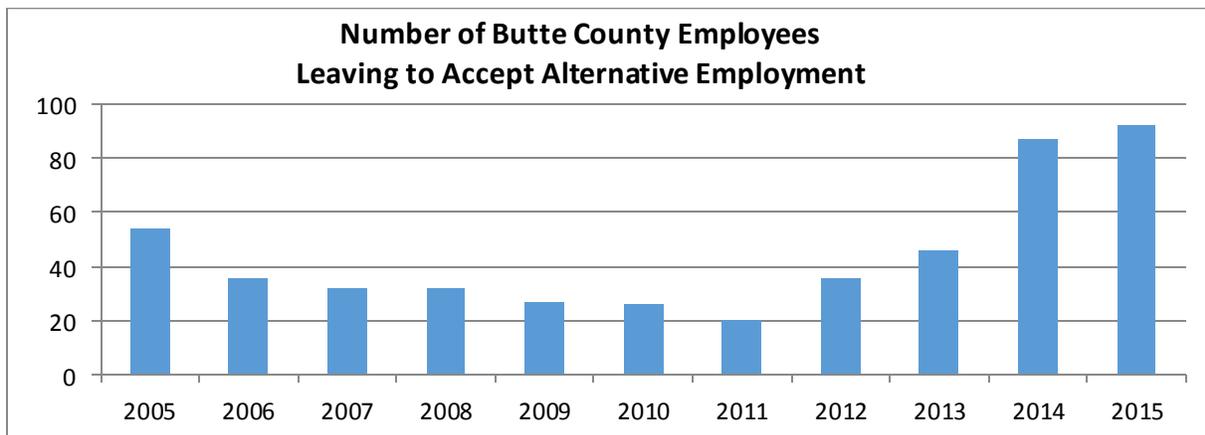
In July 2015, Butte County Administration formed a Health Insurance Options Working Group composed of County management staff and employee members from all of the bargaining units. They have been researching and analyzing health insurance options. The group has conducted several meetings with alternative insurance pools used in this area, as well as meeting with CalPERS representatives. The Working Group expects to present information on the options to the Board of Supervisors and employees by May 2016.

**How does this affect the Butte County Workforce?**

One consequence of lower compensation is the negative effect on retention and recruitment of quality employees. Retention is challenging when local cities and counties offer higher total compensation. Butte County has become the training ground for other agencies’ workforces. In the last four years, the County has experienced a doubling of the employee turnover percentage (8.4% in 2011 to 17.5% in 2015).



The Human Resources Department reported that data collected from its Employee Separation Statements showed the number of people leaving for alternative employment has gone from a low of 20 in 2011 to 92 in 2015. This statistic is telling, but may not give the entire picture. Human Resources has an exit interview process that is available for departments to use but its use is inconsistent. Improvement is needed in this process to allow for standardized data collection and the ability to track trends.





The Grand Jury was told that department heads are having difficulty recruiting qualified employees to fill vacancies. This is especially true for specialized, professional, or supervisory classifications. Some positions have remained vacant for months. For job classes that are in high demand throughout the state, such as sheriff's deputies, the only solution was a wage increase.

As experienced employees leave, productivity suffers, institutional memory is lost, and services are compromised. Remaining employees are asked to take on more responsibility as vacancies go unfilled. There is also the time and cost of providing orientation and training for new employees. These factors not only affect efficiency, service delivery, and the cost of doing business but also employee morale. If Butte County departments are expected to continue to provide the caliber of service the public has grown to expect, it must look for ways to retain current employees and attract new ones.

### **What have we learned?**

The Grand Jury was impressed by the transparency of the County administrators and their efforts to explore avenues of cost reduction and new revenue sources. The bargaining unit representatives ably presented the employee perspective and were knowledgeable of the challenges being faced by County administrators. All parties were in agreement regarding the problem, the major causes and that the solution is not an easy one.

The Grand Jury thought it was important to investigate these critical issues and by doing so bring awareness to the citizens of Butte County. The services provided by our County government are vital and should not be compromised. Finding our way through this complex issue will take a cooperative effort by the Board of Supervisors, County administration, department heads, employees, and the public.

## **FINDINGS**

- F1. Employees are dissatisfied with their wages and health insurance cost.
- F2. Employees' net salary has decreased over the last 5 years due to their increased contribution towards health care cost and CalPERS retirement.
- F3. The Cal Fire contract has a significant impact on the County General Fund resources.
- F4. CalPERS Health Insurance plans are expensive and offer limited affordable options.
- F5. Current compensation levels are affecting retention and making recruitment difficult.
- F6. The Butte County Human Resources department does not have a standardized way to collect and track data on employees leaving County employment.
- F7. Butte County administration has reached out to the employees in various ways to solicit their views and involve them in finding solutions including creation of the Health Insurance Working Group.

## **RECOMMENDATIONS/CONCLUSION**

- R1. The Board of Supervisors should support the development of a plan to improve Butte County's ability to retain and attract new employees.



- R2. The Board of Supervisors should continue to explore less expensive alternatives to the current Cal Fire contract.
- R3. The Butte County Administration Office should support the Health Insurance Options Working Group as it continues exploring ways to reduce high health insurance costs. Its findings should be presented to the Board of Supervisors.
- R4. The Human Resource Department should develop and require the use of a standard exit interview tool that allows the collection of consistent and comparable data. Results should be regularly distributed to department heads.

## RESPONSES

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

- The Board of Supervisors: respond to F1- F6 and R1- R4 within 90 days.

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

- The Chief Administration Officer: respond to F4 and R3 within 60 days.
- The Director of Human Resources: respond to F6 and R4 within 60 days.

Responses are to be submitted to the Presiding Judge of the Butte County Superior Court in accordance with the provisions of Penal Code section 933.05.



## Appendix 1

### Summary of Required Responses

Report	Respondents
Butte County Animal Shelters	Gridley City Council Paradise Town Council Paradise Police Department
Butte County Audit	None Required
Butte County Grand Jury Jail and Juvenile Hall Tour	None Required
Butte County Public Works	Butte County Board of Supervisors Butte County Department of Public Works Butte Regional Household Hazardous Waste Facility Neal Road Recycling and Waste Facility
Butte Water District	None
Cities Report GASB GASP!	Board of Supervisors Chico City Council Biggs City Council Gridley City Council Paradise Town Council Oroville City Council
Homelessness in Butte County	The Local Government Committee Butte County Emergency Services The Sheriff's Office Police Department of Chico Police Department of Oroville Police Department of Paradise Police Department of Gridley/Biggs
How Does Butte County Employee Compensation Compare?	Butte County Board of Supervisors