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COUNTY OF CALAVERAS

COUNTY ADMINISTRATIVE OFFICE

Jeanne M. Boyce ♦ County Administrative Officer
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June 11, 2012

Sheriff Gary Kuntz
Calaveras County Sheriff
891 Mountain Ranch Road
San Andreas, CA 95249

Dear Sheriff Kuntz:

I am writing in response to your letter dated June 5, 2012, in which you request an update on your stated intention to relinquish your responsibility for the management of Animal Services, effective July 1, 2012.

In early March, 2012, Bob Seiler, Humane Society President, and I met with you to discuss your stated intent to no longer administer Animal Services next fiscal year. I explained to you and Bob that the authority to determine and/or change the organizational structure and management of Animal Services resides with the Board of Supervisors (BOS) as the Board has broad authority to assign departmental responsibility for service delivery. We also briefly talked about state law, which requires that certain rabies prevention activities be performed by the Sheriff and Public Health.

At our March meeting, I also suggested that stakeholders be convened, as a Working Group, to develop a briefing paper for the BOS' consideration at a future study session. The stakeholders included: the Sheriff's Office (Animal Services) staff, representatives of the Humane Society Board, the Domestic Animal Services Advisory (DAAC) Committee, volunteers and county Environmental Management Agency and Administrative Office staff. The stakeholders (Working Group) agreed to explore possible new partnerships, service delivery options, and costs related to recommending changes in the future management of Animal Services for the Board of Supervisors' consideration.

Toward that end, the following actions have occurred:

- March 22, 2012 - Stakeholders convened for the first time. You were present and participated. Concerns were expressed about a transition to another entity by July 1st. You stated that you would be flexible and not leave Animal Services "high and dry" on July 1st. I explained that the BOS' authority includes responsibility for decisions related to changing departmental organizational structure. The Working Group agreed to

explore cost effective options for delivering services in the future. Agreed to jointly prepare briefing paper for discussion with the Board at a date to be determined.

- April 5, 2012, the Working Group convened and continued discussion on operations and functions related to the shelter and code enforcement pieces; roles and responsibilities of staff versus volunteers; unmet needs and areas for improvement, among other items.
- May 10th meeting, Working Group continued discussions related to possible private-public partnership models, staffing needs, revenue and cost analyses, among other items. Humane Society members express commitment to develop several budget scenarios for public-private partnership. Group agrees to goal of targeting August 2012 for Study Session for Board consideration and direction. Plans for possible implementation to be included in county's Final Budget, September 2012.
- Second week of June 2012, Humane Society Board is scheduled to meet. Discussion items include partnership options, cost proposals and what is the best fit for the organization given capacity. Outcome of meeting will be shared with Working Group at next meeting as to direction and proposals to be set forth.

Your staff participated in the Working Group meetings and presumably reported back to you the actions and discussions at those meetings. The uncertainty and confusion in this process is your recent insistence to relinquish management of Animal Services as of July 1st, a date that the Working Group discussed at its first meeting with you and agreed was not likely achievable nor reasonable and a date you previously agreed was flexible so as not to leave Animal Services "high and dry."

In response to your three questions:

1. July 1st is the date you insist on relinquishing your management responsibilities for Animal Services. As stated earlier, the Board of Supervisors has not made a decision with regards to your request yet. The Board is interested in proposals to improve and provide cost effective Animal Services given severe budget constraints. They await the Working Group's forthcoming recommendations. A Study Session is planned for August 2012.
2. Several options and proposals are being developed for a public-private partnership. The Humane Society will present some options to the Humane Society Board in mid June 2012. The Humane Society will provide their proposals and accompanying budgets to the Working Group for more consideration after they have had a chance to meet. The Board of Supervisors has not discussed changing the Animal Services management structure yet as they are allowing the Working Group to complete its business first. There are several options the Board could choose to pursue should they wish to implement a public-private partnership or retain Animal Services as a unit within a larger county entity.
3. I cannot answer your question as there has been no decision by the Board to remove Sergeant Murray's position from Animal Services. If you plan on reassigning Sgt. Murray, to be paid from a different funding source, than monies budgeted for Sergeant Murray's position would remain in the Animal Services budget to fund a manager or other like

position. Any transition time Sergeant Murray could provide Animal Services would depend upon your direction and monies available to offset her costs.

The Working Group has worked together in good faith and made good progress in the past three and a half months to accommodate your request to relinquish your responsibility for Animal Services. It appears there are several new public-private partnership options which could allow for cost savings while maintaining health and safety and increased care for the animals. It is my hope that you would join us in the final stages of the Working Group's deliberations for a positive outcome and smooth transition for all concerned.

Cordially,



Jeanne M. Boyce
County Administrative Officer

cc: Board of Supervisors
Bob Seiler, Humane Society
Animal Services Stakeholder Working Group
Clay Hawkins
Captain Eddie Ballard
Lieutenant Huberty
Sergeant Laurie Murray
Janis Elliott



COUNTY OF CALAVERAS

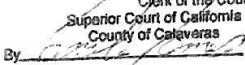
COUNTY ADMINISTRATION

FILED

August 1, 2015

The Honorable Grant Barrett, Presiding Judge
Superior Court State of California
P.O. Box 850
San Andreas, CA 95249

AUG 18 2015

Clerk of the Court
Superior Court of California
County of Calaveras
By , Deputy

RE: Response of 2014-15 Grand Jury Response – County Administrative Office and Budget Process

Dear Judge Barrett,

Please find below the County Administrative Officer's response to the 2014-15 Grand Jury Report in regard to the County Administrative Office and Budget process.

Finding 1

"The Grand Jury does not find that County Administration (CAO, ACAO, Auditor/Controller) misled the Board of Supervisors and/or the public concerning the County's finances during the FY 2013-14 nor in the preparation and adoption of the FY 2014-15 Budget. Confusion, however, is common due to sporadic or nonexistent information provided to the public by County administrative personnel regarding the budget process.

In preparing the budget, County Administration must use its best estimate of future revenue based on the information at hand. It must allocate spending in line with statutes and Board of Supervisors' guidance and decisions. . . ."

Finding 1/Recommendation 1

"County Administration should ensure that all recommended, mid-year updates and final budget documents (including memorandums) have a summary page showing key assumptions made concerning both revenue and spending expectations. This should also include future year expectations, should these subjects be part of the memorandum or management discussion supporting budget recommendations."

Response to Finding 1/Recommendation 1:

The County Administrative Officer agrees with the majority of Finding 1, but does not agree with the assertion that "Confusion, however, is common due to sporadic or nonexistent information provided to the public by County administrative personnel regarding the budget process." The Recommendation has been implemented for many years with respect to the Recommended Budget, Final Adopted Budget, and the Mid-Year Budget Report. The summary is provided in the form of a budget memo, with attached schedules and a presentation to the Board. Further condensing the summary into a single "summary page" would not be feasible, as too much information would be lost.

The County Administrative Officer recognizes that the County budget process is lengthy and that the complexity of the annual budget can be confusing and difficult to understand for those individuals that

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do not participate in the process. To that end, in February as part of the Mid-Year budget report, the County Administrative Officer begins informing the Board, County Departments and the public about the status of the current year's budget, review of the Board's budget principals, recommendations for the preparation of the next year's budget based on revenue performance trends, estimated change to property tax rolls, and anticipated increases to expenditures due to negotiated contracts, increase retirement costs, utilities, etc. All issues are discussed in the Mid-Year report and again as part of the Mid-Year presentation to the Board. The PowerPoint presentation includes graphs of revenues and expenditures and how they have performed in prior years, current trends and assumption for future years; the Board's Budget Principals; Budget timelines; and recommendations for the preparation of the next year's budget. The County Administrative Officer and the Auditor-Controller reviews the information with the Board and are open to questions from the Board and the public.

The Recommended Budget Binder is a comprehensive document. It is divided by department and then by budget units within in each department. Each section includes the department budget memo, a report detailing each department requests (Budget Item Detail Report), and the Schedule 9 Report that shows the prior year's actual revenues and expenditures, the current year's final budget, the department's requested budget and the CAO's recommended budget. Also included in the Recommended Budget documents are Budget Recaps of all General, Non-General, Teeter and Designated Funds showing budgeted revenues and appropriations and estimated year-end balances; requested funding for Capital Assets; and the County Administrative Officer's Budget Memo. The budget memo provides an executive overview of the Recommended budget, discusses significant budget changes from the prior year's budget, discusses budget assumptions and Board direction, provides a comparison to the prior year's budgeted revenues and expenditures by classification and functional areas, outlines department staffing and capital asset requests and estimated costs, addresses issues and proposed use of Teeter Funds, and discusses issues that may impact future budgets. The Recommended Budget Binder also includes the proposed schedule for Recommended Budget Hearings.

At the beginning of Recommended Budget Hearings, the County Administrative Officer and Auditor/Controller present the Board with the Recommended Budget. During the presentation to the Board and the public, all components, as outlined in the Budget memo, are discussed. Charts and graphs are used as part of the PowerPoint presentation to assist the Board and public in understanding the proposed budget. The Board, departments and the public are given ample time for discussion and to have questions answered. As part of budget hearings, departments are given the opportunity to present their budgets and justify any requests not included in the CAO's Recommended Budget to the Board and the public. Upon conclusion of department presentations, the Board discusses any issues and/or requests brought forward during the hearings and provide direction to the County Administration regarding any revisions to be made prior to adoption of the Recommended Budget.

Final Budget hearings take place in September after the Auditor has closed the fiscal year end and the Assessor has completed closure of the Property Tax Roll. As instituted a number of years ago, Final Budget adjustments are mainly technical in nature. The County Administrative Officer provides the Board as part of the agenda item with a Final Budget Memo highlighting the changes to the Budget since adoption of the Recommended Budget. These changes are discussed in the presentation to the Board at the beginning of the Final Budget Hearings.

Finding 1/Recommendation 2

"To improve budgeting accuracy, a comprehensive analysis of significant revenue and spending "misses" in the final budget with identifying reasons should be provided to the public, Board of Supervisors, and

all budget department heads. This should contain comparisons to the assumptions made in the Final Budget.”

Response to Finding 1/Recommendation 2:

The County Administrative Officer partially agrees with this Recommendation. Implementation of this recommendation requires further analysis. Departments should be monitoring their budgets throughout the year and therefore should be aware of any and all “misses” in their budget and the reasons for those misses. Although County administration and departments are conservative in estimating revenues for budgetary purposes, a number of issues may cause revenues to be better or worse than budgeted. This may include an improving or worsening economy, which will affect sales tax, transient occupancy tax, business licenses, permits, etc., or delays in the reimbursement of federal or state grants. Differences between appropriations and actual expenditures can often be attributed to vacant positions and conservative spending by departments. Unanticipated expenses will often require a draw on contingencies, which requires a 4/5s vote of the Board.

The Auditor/Controller’s Office usually completes the fiscal year-end close at the end of July or beginning of August. Once this is complete, the necessary reports can be run to compare budget to actuals for all departments for the year. The Administrative and Auditor/Controller’s Office will need to work together to develop a meaningful report for the Board and public that will identify the significant “misses” and the reason for those misses upon close of the fiscal year. However, most of the identified material misses are discussed as part of the Mid-Year Budget Report. As mentioned earlier, departments should be monitoring their budgets over the course of the entire year so that any anomalies can be identified and dealt with in a timely fashion.

Finding 2

“The Grand Jury finds that the County Administration (CAO, ACAO, Auditor/Controller) was correct in stating that continued reduction (spending from funds in excess of revenue) of Teeter funds could cause the funds to become insolvent.”

Finding 2/Recommendation 1

“County Administration (CAO, ACAO, Auditor/Controller) should monitor and produce a status report at Recommended Budget, Final Budget, and Mid-Year Update showing current balance, expected revenue, expected uses, and forecast balance of the Teeter Fund.”

Response to Finding 2/Recommendation 1:

The Administrative Officer agrees with Finding 2, that the continued reduction of Teeter funds could cause the funds to become insolvent. The recommendation to monitor and produce a status report at Recommended Budget , Final Budget, and Mid-Year Update has been implemented for a number of years.

Included in the previous year’s Recommended Budget Binder, Final Budget packet and Mid-Year Budget Report is a report showing the Teeter Fund’s beginning balance, expected revenue, budgeted uses and estimated ending balance. Furthermore, discussion of the Teeter Fund, the expected revenue and uses, and estimated balance is included in the Administrative Officers and Auditor/Controller’s presentation of the Recommended and Final Budgets and the Mid-Year Report to the Board of Supervisors during the Board meetings.

Finding 2/Recommendation 2

"County Administration (CAO, ACAO, Auditor/Controller) should ensure proposals to draw from the Teeter fund are not to fund ongoing budget expenses nor accommodate revenue shortfalls."

Response to Finding 2/Recommendation 2:

The County Administrative Officer agrees with Finding 2 that proposals to draw from the Teeter fund should not be used to fund ongoing budget expenses nor accommodate revenue shortfalls. The County continues to work toward the implementation of this goal.

With the implementation of the Teeter Plan in 1998, it was the Board's direction to use Teeter funds for technological infrastructure and advancements. It has been the contention of the Administrative Office that the use of Teeter funds to fund ongoing budget expenses or accommodate revenue shortfalls should only be used as a last resort. It became necessary to supplement the General Fund budget with Teeter Funds during the years following the recession as increased expenditures outpaced the growth of revenues. To that end, it was the recommendation of the Administrative Office to reduce departments' FY 2014/15 General Fund contribution by 8-12%. This enabled the county to reduce its reliance on Teeter funds to balance the budget from \$3.4 million in FY 2013/14 to \$1.8 million in FY 2014/15. The County has been able to further reduce reliance on Teeter funds to under \$1 million to balance the FY 2015/16 budget. The FY 2015/16 includes an appropriation of \$1.5 million for technology infrastructure improvements, the original intent for Teeter funds.

Finding 4

"Independent audits of the County's financial statements are a safeguard for the citizens of the county. Grand Jury participation provides oversight to ensure that audits conducted are free from internal influences. This participation is currently not mandated by policy or procedure."

Finding 4/Recommendation 1

"The County Administration (CAO, ACAO, Auditor/Controller) ensures that the bid and selection process for outside auditors include Grand Jury participation from initial steps through awarding of contracts. (Pursuant to Penal Code sections 925, 926)."

Response to Finding 4/Recommendation 1:

The County Administrative Officer agrees with this finding. The Recommendation has been implemented.

The County Administrative Officer agrees with this finding. Grand Jury participation in the bid and selection process was implemented in 2010 when a Request for Proposal (RFP) was issued to conduct the examination of the Comprehensive Annual Financial Report (CAFR) and Compliance Audit for fiscal year ending June 30, 2010 for a single year. An Evaluation Committee, consisting of two Grand Jury members, the Auditor/Controller, the Treasurer/Tax Collector and the Assistant County Administrative Officer, reviewed, evaluated and scored the proposal submission according to the guidelines specified in the RFP. The Evaluation Committee recommended that the Board award the bid for annual audit services to Gallina LLC for fiscal year ending June 30, 2010. The following year, the County Administrative Office issued an RFP for annual audit service for the fiscal year ending June 30, 2011 with an option to extend the contract for each of the four subsequent years. Once again an Evaluation Committee consisting of two Grand Jury members, the Auditor/Controller and the Assistant County

Administrative Officer reviewed, evaluated and scored the proposals and recommended that the Board of Supervisors award the bid for annual audit services to Smith and Newell, CPAs for fiscal year ending June 30, 2013 with the option to extend the contract for each of the four subsequent years. On June 21, 2011, the Board of Supervisors, based on the recommendation of the Evaluation Committee, awarded the contract for annual audit services to Smith and Newell, CPAs for fiscal year ending June 30, 2011. On December 18, 2012, the Board by Minute Order exercised the option to extend the contract for each of the four subsequent years.

The contract with Smith and Newell, CPAs for annual audit services expires upon completion of the annual audit for fiscal year ending June 30, 2015. It is the intent of the Administrative Office and Auditor/Controller to continue the process that was instituted in 2010. The Grand Jury will be requested to review the RFP and to participate in the Evaluation Committee to review, evaluate and recommend the awarding of a contract for annual audit services to the Board of Supervisors.

Finding 8

"The Board of Supervisors and department heads lack the expertise in the budget process."

Finding 8/Recommendation

"Mandatory training, by qualified personnel, be instituted every February in advance of the start of new budget preparation for all Supervisors and Department Heads covering the State's *County Budget Act*, definition of terms and language used in budgets and budget discussions, fiscal reports required by the State, timelines and deadlines in statutes, and Calaveras County timelines for various budget activities in the coming Fiscal Year."

Response to Finding 8/Recommendation:

The County Administrative Officer disagrees in part with the finding that the Board of Supervisors and department heads lack the expertise in the budget process. The recommendation for mandatory training be instituted every February has been partially implemented.

While new Board members and new department heads experience a significant learning curve when dealing with the complexities of the County budget process, the Administrative Office is committed to providing any and all information that will assist them with learning the budget process. However, it should be noted that seasoned department heads should be well versed in the budget process, and the County Administrative Officer does not believe that mandatory annual training for these department heads is reasonable. Training for the Board and Department Heads take place in a number of different formats, beginning when a new Supervisor and/or Department Head take office. A "New Supervisor/Department Head Binder" is provided to each new Supervisor and Department Head. The binder includes information regarding the county budget process and, for department heads, a copy of their department's current year's budget. The offer of a one on one "Budget 101" session with the Administrative Office is extended to any new Supervisor. This provides the opportunity to review the budget process in detail and answer any questions. As part of the Mid-Year Budget report to the Board, the Board's Budget Principles are reviewed and the budget timeline is discussed. Based on the Board's direction upon receiving the Mid-Year Budget Report, on or about March 1st, budget instructions are sent to department heads. These instructions outline Board direction for submitting departmental budgets, required forms for budget submittal and the Budgeted Employee Costs (BEC). The budget process is also discussed at the monthly department head meetings. In addition, classes are held for department heads and their fiscal staff during the first weeks of March. The training includes a review

of the budget instructions, directions for updating BECs, review of required budget forms, entry of budgets into the county's financial system (Budget Item Detail or BID), reports that are available in BID that will assist departments in budget preparation, and budget timelines. Although the State's *County Budget Act* is not addressed in detail during the training sessions, it is included in each year's Recommended Budget Binder. Information on the State's *County Budget Act* will be included in future budget training sessions. While the County Administrative Office believes that it currently provides adequate training to the Board and staff, the Office will monitor department head and Supervisor satisfaction levels with the training currently provided to see if further training opportunities are warranted.

Finding 10

"Employee separation costs have not been budgeted. These costs can include unused vacation/sick days plus other contractual obligations."

Findings 10/Recommendation

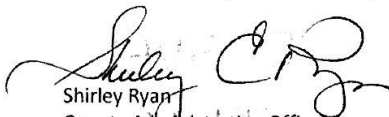
"The Grand Jury recommends the CAO add to the budget and Board of Supervisors allocate funds for employee separation costs."

Response to Finding 10/Recommendation:

The County Administrative Officer agrees with the finding that employee separation costs have not been budgeted. The recommendation to allocate funds for employee separation costs will not be implemented at this time.

It is the County's policy to permit employees to accumulate a limited amount of earned but unused vacation and compensatory time off (CTO). Employees may accumulate an unlimited amount of sick leave. Normally, sick leave, vacation and CTO are paid out as used in lieu of hours worked. One hundred percent of unused vacation benefits and CTO are paid to employees upon termination. Up to \$1,500 of unused sick benefits may be paid to employees only upon retirement, and the remaining available accumulated sick leave may be applied to retirement service credit. Employees have the option to apply all accumulated sick leave towards service credit for retirement purposes in accordance with CalPERS retirement laws. Unused sick leave benefits do not vest with the employee, and are lost and are not paid to the employee upon termination. Per the Comprehensive Annual Financial Report for fiscal year ending June 30, 2014, the unfunded liability for compensated absences totaled \$1,579,245.

The County continues to face a structural budget deficit, where current year expenses exceed current year revenues. Over the past two years, the County Administrative Officer and Auditor/Controller have worked to present a budget that has significantly reduced the reliance on one-time funds (cash carry and Teeter) to balance the budget. Only when the County is able to have a structurally balanced budget will the County be able to annually allocate funds for employee separation costs. At this time it is unknown at what point the County will be able to begin allocating funds for employee separation costs.


Shirley Ryan
County Administrative Officer

cc: Board of Supervisors