2024 - 2025 TUOLUMNE COUNTY
CIVIL GRAND JURY

Tuolumne County's Unfunded Liabilities and Related Financial Challenges

May 12, 2025

Photo Courtesy of The Union Democrat

SUMMARY

The 2024-2025 Tuolumne County Civil Grand Jury has investigated the long-term financial health of Tuolumne County and found that the Board of Supervisors has managed the County's finances into a position where the County has millions of dollars of liabilities, dangerously dilapidated facilities, and no credible means to pay for either. In the 2024 'State of the County' presentation unfunded liabilities were identified as a glaring issue within the constraints of the budget process for the foreseeable future.

*To view the 2024 State of the County presentation visit: https://www.tuolumnecounty.ca.gov/DocumentCenter/View/28163/2024-State-of-the-County-Town-Hall-Presentation

Unfunded liabilities are financial obligations, like those related to pensions or retiree healthcare, that aren't fully funded or backed by assets, meaning the money isn't available to cover those future costs.

A large amount of unfunded liabilities can indicate a potential financial strain on a pension fund or government entity, as it means they will need to find additional funds in the future to cover these obligations.

This Civil Grand Jury's investigation found the major contributing factors to Tuolumne County's unfunded liabilities are:

- California Public Employees Retirement System (CalPERS) obligations
- Excessive use of the Executive Confidential Unit (ECU) employee bargaining group
- An extreme backlog in Deferred Maintenance of County facilities and infrastructure

After years of "kicking the can down the road", rather than aggressively, efficiently, and thoughtfully confronting major financial issues, the County is in a serious financial bind. It is time to address the issues and find permanent solutions.

GLOSSARY

ACFR – Annual Comprehensive Financial Report
ARP - American Rescue Plan – Grant money received by the County
BOS - Board of Supervisors
CalPERS - California Public Employees' Retirement System
CAO – County Administrative Officer
CIP - Capital Improvement Plan - As required by the Tuolumne County Ordinance Code
County - Tuolumne County
DM - Deferred Maintenance - Items of county facilities
ECU – Executive Confidential Unit
FY - Fiscal Year - Tuolumne County uses July 1st - June 30th
GF - General Fund - The chief operating fund of the County
Grand Jury – The Tuolumne County Civil Grand Jury
GSA - General Services Agency
HPO – High Performance Organization
MOU – Memorandum of Understanding
MQ – Minimum Qualifications
OES - Office of Emergency Services
PEPRA - The California Public Employees' Pension Reform Act of 2013
RFP - Request for Proposal - A process to gather pricing for work
SAFER - The Safer Grant – Grant money received by the County
UL - Unfunded Liabilities

BACKGROUND

Tuolumne County residents may not be aware that a Civil Grand Jury may sometimes initiate a "carry-over investigation". This may occur when a Grand Jury has identified an issue through complaints, documentation, or interview notes, and cannot complete its investigation or publish a report within its one-year term. The complaint must either be abandoned or passed on to the next Grand Jury.

A carry-over might involve something as simple as an unresolved public complaint or as complex as an incomplete report. However, a Grand Jury cannot simply resume where the prior one left off; by law, it must restart the investigation entirely. Prior Grand Jury materials, such as witness statements and notes, are strictly prohibited from being used in potential investigations. However, the scale and significance of this carry-over investigation compelled us to focus exclusively on it, setting aside other topics to serve the public's interests effectively. This carry-over process is important as it allows critical issues to receive thorough attention. Your Grand Jury remains committed to transparency, accountability, and upholding the trust placed in the Grand Jury process.

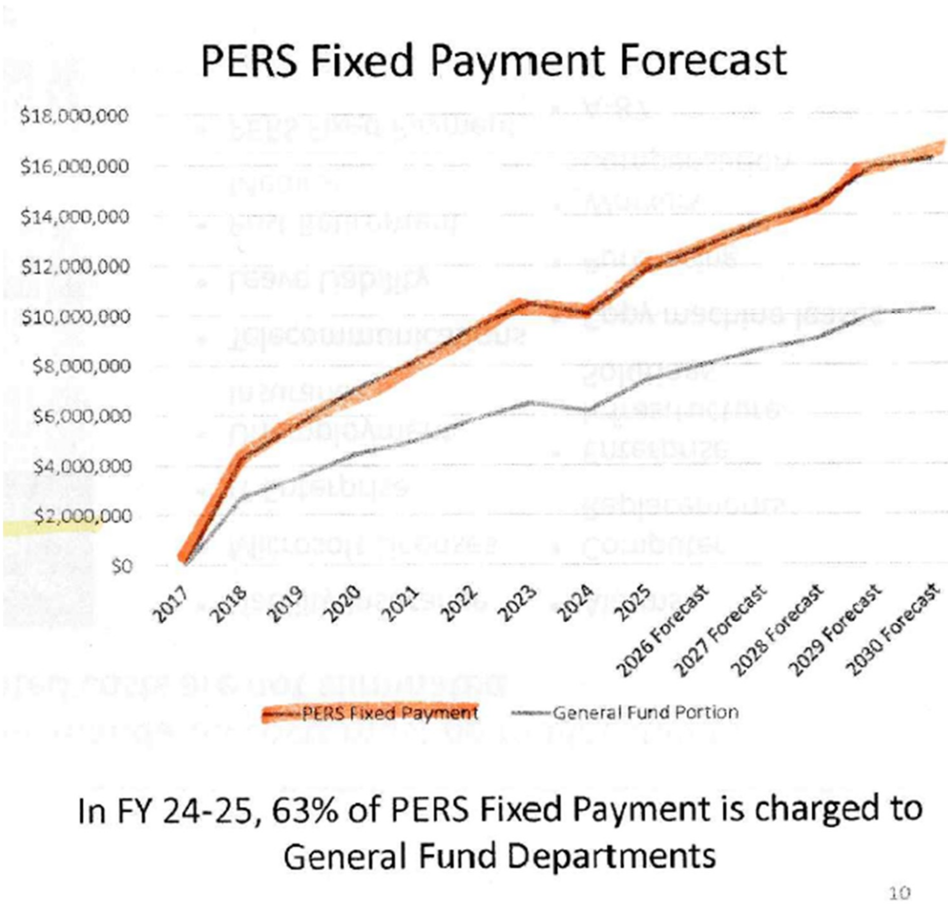
This report covers one broad component from the original complaint, and that is the Tuolumne County government's fiscal responsibility, and its impact on the County's financial health. These carry-over complaints, and what we further discovered, are all being referred to henceforth as Unfunded Liabilities (ULs). It is important to keep a light shining on ULs that may be somewhat more obvious, while highlighting others that have been growing under the radar over the years, and additionally those ULs that are being ignored and are getting worse by the day, and more expensive to resolve.

This year's Grand Jury is reporting on three areas of the County's neglected fiscal responsibility: CalPERS, ECU and Deferred Maintenance.

CalPERS

California Public Employees' Retirement System (CalPERS) is an agency in the California executive branch that "manages pension and health benefits for more than 1.5 million California public employees, retirees, and their families." CalPERS invests the money we put into our pension fund through their Investment Office. Currently, according to their website, CalPERS manages an investment portfolio worth more than $500 billion. That's an eye-popping amount, and it leads one to wonder what types of investments are in that portfolio. an important question for two major reasons: The money belongs to its members, and CalPERS depends on the returns from its investments to pay the largest portion of members' pensions each year. Considering how crucial these investments are to paying pensions; it's a huge factor in managing our own County budget and one that cannot be calculated for future gains or losses. CalPERS invests billions of dollars in a wide array of companies in the United States and across the world operating in industries such as information technology, retail, health care, energy, entertainment, and financial services. It is noted from their website that they are heavily invested in climate control initiatives. In addition, CalPERS's investment portfolio is further diversified through its purchase of different types of assets, like corporate stock, real estate, or bonds.

CalPERS reported several months ago a preliminary net return of 9.3% on its investments for the 12-month period ending June 30, 2024. Assets as of that date were valued at $502.9 billion. Their investment return outpaced the discount rate of 6.8%, comparable to an assumed rate of return. It was also a notable improvement from the two most recent fiscal years, where investment returns did poorly, which were influenced by a variety of economic and geopolitical challenges.



ECU

ECU is a term used for a group of employees in Tuolumne County government that are in what we understand to be the "Executive Confidential Unit". The Grand Jury also heard it termed the "Executive Confidential Bargaining Unit" or "those that are Executive and Confidential employees".

Over the last five to six years, the Executive Confidential Unit (ECU) classification of an employee in Tuolumne County government has been misused and misrepresented by virtue of:

- The classification has seen notable growth in a large percentage of cases in the number of employees without clear justification or alignment with the County's intended needs or guidelines.

- Increased cost to the County via higher salaries, benefits that include pension packages which impact CalPERS, and, in some cases, a 6-7% Deferred Compensation package and awarded on day one.
- Unclear guidelines and definitions of the ECU classification.
- A perception that in some cases the ECU classification was used as a perk for hiring or favoritism rather than based on job responsibilities or meeting the qualifications of the classification.
- Some employees included in the ECU classification do not meet the County's intended guidelines or qualifications.

The Grand Jury also found that the Board of Supervisors and Senior County Administration may have assumed there were ample funds in the 2021/2022 fiscal year and well into the future since there was a significant increase in upper management positions along with many new standard positions. The Grand Jury investigated these areas and came across other concerns as well that will be discussed in more detail below.

DEFERRED MAINTENANCE

Deferred Maintenance refers to the postponement of both repairs and upkeep of County owned infrastructure and facilities. Deferred Maintenance is a critical issue that many local governments face, often due to budget constraints, competing priorities, or lack of long-term planning.

The term "infrastructure" consists of buildings, equipment, power supplies, roads, etc. This report, however, does not include roads. The Grand Jury received complaints about the lack of basic Deferred Maintenance along with the more critical condition of building safety that, in many locations, is extremely inadequate and would not meet some of the current building, fire and life-safety codes. There may be some exceptions to existing buildings with respect to code requirements, but not in all cases should this apply. The Grand Jury chose to look at the causes for, as well as the impacts and consequences of, ignoring and/or deferring maintenance until a later time.

Missing ceiling tiles, unusable facilities, and overhang collapsing due to water damage.

The Grand Jury interviewed over 50 Tuolumne County employees, and toured several county facilities, with a focus on Deferred Maintenance to better understand the conditions mentioned in complaints. The Grand Jury sought insight into the processes for reporting immediate or ongoing concerns as well as the processes for tracking follow-up on the prioritization, pricing, scheduling, and approval of these Deferred Maintenance projects.


Neglected buildings are experiencing more deterioration due to no maintenance.

The line of investigation about Deferred Maintenance also evaluated Capital Projects since these two areas of responsibility seem to overlap as to how they are managed and tracked by Senior County Administration through the General Services Agency (GSA), including Facilities Management.

Facilities Management is not its own department. It was overseen by the GSA and just recently it was understood that GSA will be eliminated as a department and Facilities will be managed through the Public Works Department.

METHODOLOGY

Once the Grand Jury decided to move forward with an investigation into Unfunded Liabilities (ULs), a committee was formed. The committee investigated many areas of the county's financial health but kept the main focus on CalPERS, the ECU and Deferred Maintenance, as being most important. The committee eventually broke into subcommittees for each of the three areas. Each subcommittee was tasked to gather, verify and corroborate information about their subsection.

Over fifty current and former county employees were interviewed. In all, more than 100 hours of interviews were conducted to obtain first-hand accounts.

In addition to the interviews, numerous documents were assembled from public sources, provided by request from the County, and in some cases via subpoenas. The Grand Jury received, and reviewed, hundreds of pages of documents relating to the investigations it undertook.

An incalculable number of hours were spent organizing and understanding the information obtained by the Grand Jury.

Prior to publication of this report, it was reviewed by legal counsel and the assigned judge of the court to verify compliance with penal code requirements.

DISCUSSION

Tuolumne County, like many other local governments in California, faces significant financial challenges. A few of those contributing factors in Tuolumne County are due to Unfunded Liabilities (ULs), particularly in the areas of Public Employees Retirement System (CalPERS) obligations, expanded employee ranks in the Executive Confidential Unit (ECU) and a huge backlog in Deferred Maintenance of County facilities. Additionally, grant-funded positions can become an unfunded liability in the form of additional salary, retirement, and benefit costs on the General Fund when the grant ends.

CalPERS LIABILITIES

Pay now or pay more later. Tuolumne County employees are vested in a California Public Employees Retirement System (CalPERS) retirement fund which started around 1967. The Grand Jury has investigated where Tuolumne County is with this Unfunded Liability.

Tuolumne County's CalPERS liabilities represent a significant long-term financial burden. CalPERS, the retirement system for public employees in California, requires counties to contribute a portion of employee salaries to fund future pension obligations. A percentage of every dollar paid to an employee, like what is paid to Social Security, is paid to CalPERS. However, due to market fluctuations, increasing life expectancies, and past underfunding, the County's required contributions have risen substantially.

A prior Tuolumne County Civil Grand Jury report, dated, Aug 21, 2012, found that the County benefit plans were perhaps 100 – 150 % higher than the private sector. Even though the County has continued to negotiate contracts, and this disparity has leveled off somewhat, the County is still liable for past and future retirement commitments, which by fiscal year 2023 equates to $16,238,462.00. That is an increase of approximately $3 million from last calendar year.

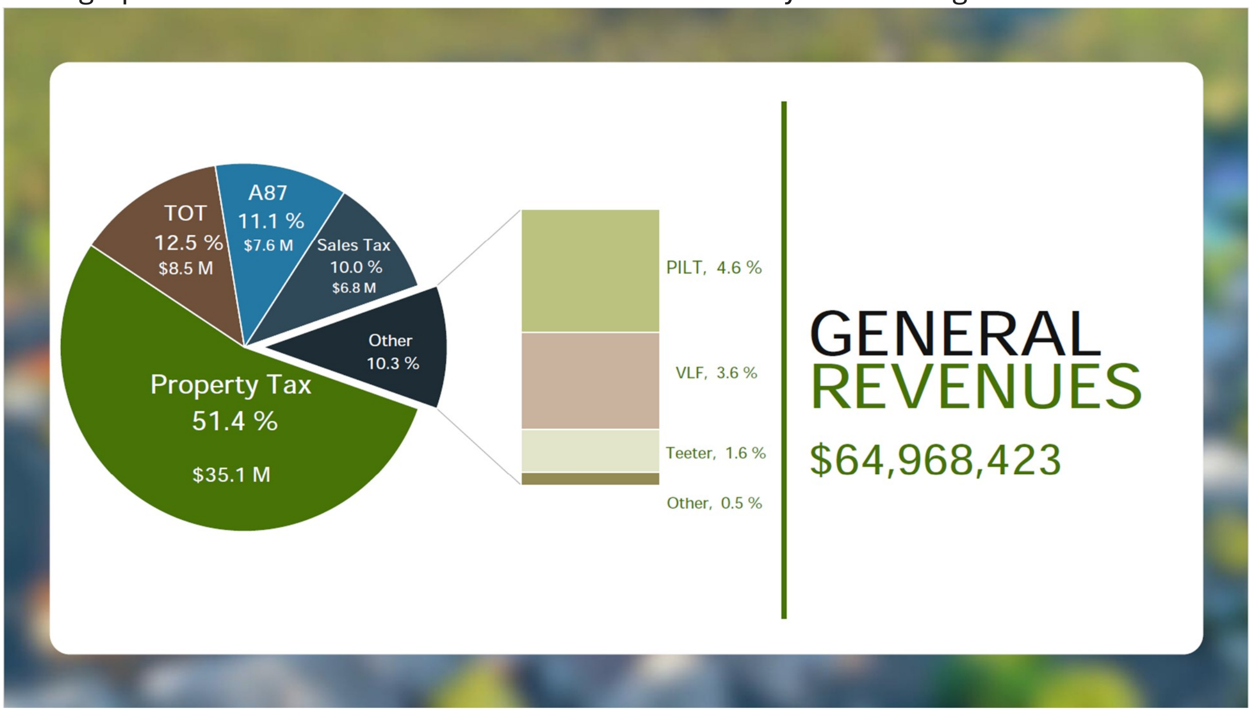
These costs are escalating and strain the County's General Fund, limiting how the County applies money to other needs within the budget. Annually, CalPERS bills the County a fixed amount to be paid that year. However, this amount changes every year. These unfunded liabilities are identified as a huge issue within the constraints of the budget process for the foreseeable future. This is dependent on the investment market and how many employees are vested in CalPERS.

For an employee to be vested in the Retirement program with CalPERS they must have worked for five years. Here lies the rub, the County employs several positions with grant funded dollars. Once the grant runs out and the employee is still with the County, not only does the County now have additional employees, but after five years these two+ year grant positions are now vested with the County; the County then takes responsibility for the retirement contributions for their continued employment. This is not to say grants are bad, it's just that grants can cause secondary and tertiary impacts to the budget if one is not careful. During an employee's contract period, they can also apply for any open positions that are advertised and get vested through their new positions as well.

There's also a protocol which is an unknown factor when accomplishing an annual budget and is referred to as a reciprocal agreement, called reciprocity. As an example, if Tuolumne County had an employee who left to work for San Francisco at a higher salary in a non-CalPERS retirement program, their retirement from CALPERS is based on their high-year tenure at the San Francisco job, not what they made in Tuolumne. This component is very difficult for the County to project in the annual budget.

Presently, Tuolumne County has an unfunded liability with CalPERS of $150 million. Over the last two years, the County has been paying down the debt by approximately $1 million in addition to the regularly scheduled annual payment. Of the fixed regularly scheduled payments, since 2017/2018, the County has made their pre-payments at the beginning of each year saving the County interest of approximately $400,000 in the most recent fiscal year, of which roughly $250,000 came from the General Fund.

The graph below illustrates where Tuolumne County receives general fund dollars



The County's major cost is employee salaries. Salaries of multiple departments within the County are paid out of the General Fund, such as the Library, Recreation Department, Airport, and they also subsidize the Veteran Service Office, to name a few.

While the County can reduce the number of employees, it cannot reduce its contractual obligations such as pension obligations for past services. Making significant reductions in pension cost over time can make more funds available for County services, such as maintaining roads, parks and recreation or cultural activities. No matter what the measurement, pension contributions are projected to increase annually by CalPERS.

EXECUTIVE CONFIDENTIAL UNIT (ECU)

Over the past five to six years, the ECU, a classification for high level management and confidential employees, saw notable growth in both the number of employees and the associated costs. Although the number of ECU employees was significantly decreased by the recently seated Board of Supervisors as an effort to reduce the budget deficit, it does not relinquish the issues caused by the prior years of mismanagement of this classification.

Over time, growth in the number of ECU employees increased significantly, with some positions being added without clear justification or alignment with the county's operational needs. The growth in the ECU positions has led to higher salary and benefit costs, including Deferred Compensation packages that are often more generous than those offered to other employee groups. These compensation benefits add to the County's long-term financial obligations via CalPERS.

The added employees in the higher-level ECU classification increased by 55% by the end of fiscal year 2023 from fiscal year 2020, which added over $2 million to the annual salary cost plus another $1.5 million for their benefits. This represents 20 additional ECU employees of which 16 were added to the CAO's office alone. Adding in the additional payroll cost for new standard employee hires this accounts for over 50% of the $5.6 million projected county debt as of 12/31/24. Along with the very high cost of the additional hires, the unfunded liabilities (pension, deferred comp, disability) that occur with new hires substantially increase the County's year-after-year liability debt.

The Grand Jury found that California Public Records Act 6259 requires Tuolumne County to file an Annual Comprehensive Financial Report (ACFR) within 180 days from the fiscal year end. Tuolumne County has not filed this report for fiscal years 2022, 2023 and 2024. Without comprehensive and timely audit reports, Tuolumne County leadership cannot properly or adequately understand the financial sovereignty of the County to achieve financial stability.

It has been very difficult for the Grand Jury to get clear, definitive information directly from County departments or County websites about the numbers of employees and employment costs associated with them. This was the case in many instances and particularly whether they were allocated positions, filled positions, in the ECU or not, and for the last 5+ years. The documents we received from one County department show allocated positions in the ECU increasing from 47 employees in FY2019/2020 to 71 employees in FY2023/2024, a 66% increase. Another document from a different County department has different numbers showing 46 employees in FY2020/2021 and 65 employees in FY2023/2024. So, as is clear, it was a struggle to get complete and reliable information.

The Grand Jury requested and received some employee costs for the prior three years starting in FY2021/2022 but couldn't get the prior two fiscal years as needed for our investigation. A lot of effort was put into trying to understand the information that we received from the County since some of their records were not readily available. We also heard that the County's computer software was changed approximately three years ago, making it extremely difficult for the County to retrieve information about salaries and benefits for employees. To understand the impact of the changes to the ECU classification the Grand Jury, through public records, calculated the missing information to complete our 5+ year lookback.

As a result, we saw over the five-year period, just in the ECU, salaries grow by approximately 66% and overall costs, that included FICA, PERS, Deferred Compensation, Cafeteria Plan, Life Insurance, etc., grow by approximately 78%. Keep in mind this is through FY2023/2024 which ended June 30, 2024.

The lack of clear definitions for the ECU classification and what the minimum qualifications (MQs) are for the classification has raised concerns about transparency and accountability. Our investigation found that some employees classified as ECU do not appear to meet the criteria typically associated with executive or confidential roles, suggesting that the classification may have been used as a perk for hiring or favoritism rather than based on job responsibilities.

The definition of what an Executive Confidential Employee is, or to be in the ECU has been heard in an assortment of ways from those interviewed. In one instance, we heard that it is in accordance with the Executive Confidential Unit Compensation plan dated Feb. 7, 2017, which defines "Confidential Employee" as an employee who could responsibly have access to information that could affect employer-employee relations. Another source also said that the definition of an Executive and Confidential employee can be found in Tuolumne County's Employer/Employees Relations Resolution (EERR) which may not have been but is now included on the labor relations website. This document goes on to say that, although many classifications may work with confidential material, in the context of a bargaining unit, the definition can be found on page 1, item 2, definitions. A confidential employee is defined as an employee who could reasonably have access to information that could affect employer-employee relations (labor relations). An executive employee is not specifically defined in the resolution; however, it is defined by the Fair Labor Standards Act (FLSA). An executive employee is someone whose primary duty is to manage a department, has the authority to hire/fire employees, who directs the work of at least two other full-time employees, who is exempt from FLSA overtime protections, and who meets a certain salary threshold, while performing primarily non-manual work. Another source said, "Confidential Employee means an employee who could reasonably have access to information that could affect employer-employee relations."

Other information about the ECU classification can be found in their Memorandum of Understanding (MOU) and addendums for their bargaining unit. So, the Grand Jury believes it suffices to say that there was a lot of information, and not clearly delineated as to where and what information in multiple locations to use to clearly define this group of employees and their minimum qualifications.

What became very clear to the Grand Jury was that there were numerous opinions amongst the County's department heads, administration and Board of Supervisors as to what qualified an employee to be in the ECU. One even said that they were not aware of what it was at all. It was also very apparent that many of those interviewed believe that a sizeable percentage of those in the ECU did not meet the assumed criteria and thus should not be in the ECU classification. They also believed that these "misclassified" employees were given the ECU classification as a "perk" or a form of "favoritism" when hired or reclassified. Also, it was believed that the "Executive" and/or "Confidential" aspect of the ECU definition was misused for a variety of reasons such as they did not perform those types of functions or did not need to reside in a specific department that was thought to be entirely confidential.

The recently seated Board of Supervisors easily understood that the County was in financial straits and began lowering costs by bringing the number of ECU employees back to pre-COVID numbers, saving approximately $2 million per year on the budget. At the time of writing this report, seven ECU positions have been removed.

DEFERRED MAINTENANCE

Deferred Maintenance in Tuolumne County government is a concerning subject since it doesn't get much attention and for the most part is ignored. It has huge implications such as potential liability issues, the ongoing deterioration of facilities, and the large and growing backlog in terms of dollars and quantity of projects. Deferred Maintenance was included as a topic in the FY2022-2023 Tuolumne County Strategic Goals report in a subcategory called "County Capital and Deferred Maintenance". This included four bullet-pointed items, one of those being "Issue RFP to update Capital Improvement Plan". Very little of anything to do with these four bullet-pointed items was accomplished during that time frame. The FY2024-2025 Tuolumne County Strategic Goals report has two of these bullet-pointed items carried forward. One of these items is, "Develop a plan to finance deferred maintenance and remodel existing buildings based on a CIP". So simply put, a Capital Improvement Plan (CIP) was never created. The importance of both a Request for Proposal (RFP) and a Capital Improvement Plan (CIP) will be discussed in more detail to follow. Also of note is that in subsection 2.12.170 of the Tuolumne County Ordinance Code, it states when talking about the County Administrator, "He/she shall prepare, and keep current, a capital improvement plan including recommended methods for financing, with the adoption by the Board of Supervisors".

Interviews conducted with County employees revealed concerns that insurance coverage of Tuolumne County Buildings was subject to potential cancellation due to ignored maintenance requirements or incomplete repairs.

Exterior and interior condition of several County buildings.

The Grand Jury was only able to locate two versions of a list or tracking document for either deferred maintenance items or upcoming projects in the county. One being a Deferred Maintenance List and the other a County Capital Projects document which looks to be what is used for budget preparation and as part of the Adopted Budget. The Grand Jury also was told that there is software called Coorigo.net used for staff to notify Facilities about smaller needed work items, although how this is managed as to cost, prioritization, and how or if it becomes an item added to the Deferred Maintenance List is unclear.

What is clear is that there is NO current Capital Improvement Plan (CIP) in use by the Tuolumne County Government.

What is not clear are the parameters used for projects to end up on either the County Capital Projects document or the Deferred Maintenance list. It looks like once a project is imminent for the next fiscal year, it will be noted on the Capital Projects unless it is under a certain dollar value or level of importance. An example where confusion might be the case is the deck replacement at the Cabrini House. It is noted on the Deferred Maintenance List although it is not clear when it became an item on the list, how it was prioritized, etc. Currently it is still on that list although with a note as being completed in 2024. The Cabrini

House Deck is also a line item on the 2024/2025 Capital Projects List which is for the FY2024-2025, being July 1, 2024, through June 30, 2025.

The perceived issues or concerns with Tuolumne County's Deferred Maintenance are that there are no comprehensive documents to manage and track the work items and projects in Tuolumne County Government. No one interviewed had any knowledge of the processes for prioritization of the projects or what the backlog cost in dollars is. The general consensus alludes to a cost of several tens of millions of dollars.

These documents could and should include everything from immediate maintenance needs to imminent projects and long-term planned projects. There shouldn't necessarily be a single document but documents that are based on some commonsense rationale. The key to all of this is that each document needs to be comprehensive as to tracking dates reported and completed, importance or prioritization, and cost, whether it is an internal estimate or contractor bid. There also should be a running total for the backlog of work overall, the backlog of high priority items, etc.

A CIP could be the one main document used to manage most of the County's projects, Deferred Maintenance needs, etc. The following are key points about RFP's and a CIP:

- While developing a CIP may require upfront costs, the long-term financial and safety benefits should far outweigh the initial investment. A well-developed CIP can help the county prioritize projects, allocate resources efficiently and avoid costs from emergency repairs or infrastructure failures.
- By not using RFPs, the County is essentially "kicking the can down the road" which likely will result in even higher costs in the future as deferred maintenance continues to accumulate.
- Developing a CIP requires specialized knowledge and infrastructure planning, budgeting and project management. Without engaging external experts through RFP's, the county may lack the necessary expertise to create a comprehensive and effective plan. This could lead to poorly prioritized projects, inefficient use of funds and missed opportunities for grants or other funding sources.
- By not issuing RFPs or developing a CIP, as noted in the governance code, the county is failing to meet its own governance standards, which could lead to legal or operational risks.
- A CIP can be a prerequisite for securing grants, state or federal funding, or other financial assistance. Without a CIP, the county may be ineligible for these funding opportunities, further exacerbating their financial backlog.
- RFPs allows the County to solicit proposals from qualified firms, ensuring that they receive the best value for their investment.
- The RFP process is transparent and ensures the selection of a consultant that is based on merit, expertise and cost-effectiveness.

- RFPs can be tailored to the County's specific needs, ensuring that the resulting CIP addresses the unique challenges of Deferred Maintenance and planning.
- The County could develop a CIP in phases, starting with the most critical issues, such as life and safety concerns, and would spread out the cost over time and make the process more manageable.
- The County could investigate grants or partnerships that may provide funding or technical assistance for developing a CIP.
- The County could conduct a cost-benefit analysis to demonstrate the long-term savings of developing a CIP. For example, addressing Deferred Maintenance early can prevent costly emergency repairs, extend the lifespans of facilities and reduce liability risks.
- If hiring consultants seems too expensive, which has been mentioned numerous times by interviewees, it could explore using internal staff to develop a basic CIP. While this may not be as comprehensive as a consultant lead plan, it could serve as a starting point.

Fire protection systems in California County buildings are governed by a combination of state and local regulations, including the California Building Code, (CBC), California Fire Code (CFC) and the National Fire Protection Association (NFPA) standards. Although many buildings in Tuolumne County may have some version of being “grandfathered in” with their existing conditions, it should be seriously considered that even if this is the case, the fire protection systems should be reviewed for updating if the buildings are going to be kept in use or the short-term risk is not worth taking. The approach could start with the most extreme liability items, factor in cost effective approaches and verify those systems that are in place to be tested and operational. Departments within the County, and specializing in their fields, could work together for a cost-friendly approach. Fire protection systems can include smoke alarms, smoke detectors, heat rise detectors, fire sprinklers, pull stations, horn/strobes (audible and visual), fire barriers and fire rated construction, signage, emergency lighting, generators for backup power, fire extinguishers, special occupancy permits along with inspection and testing and maintenance.

Water leaking through the ceiling of the 911 Dispatch Center is being diverted into garbage cans to avoid the computer equipment.

An example of the current Fire Safety systems' status is that of the Sheriff Administration office and old jail. One issue is a faulty heat rise detector in a section of the old jail that falsely activates at random times and the alarms are extremely loud and to reset them, someone must go through six locked doors to the jail's control room. On nights and weekends the 911 dispatchers are the only ones in the building and the alarms extreme sound interfere with emergency calls therefore the alarm system has been disabled. The equipment is so old and outdated that replacement equipment is not available. Fire sprinklers do not exist in the administrative part of the building. The generator for backup power does not work and a rented generator is being used in its place but does not support the HVAC system. The server room temperature can become an extreme issue, leading to a shutdown of critical communication systems.

A melted electrical panel that was burnt in a previous fire is still being used at the Sheriff's Office.

Some of the items mentioned above are in place and operational, including annual inspections. Those items not functioning properly were deemed too expensive in the eyes of Senior County Administration to reengineer and made operational because the plan is to eventually demolish the building.

Tuolumne County's Board of Supervisors and Senior County Administration should prioritize these issues by thoroughly and comprehensively planning for our County's future. The

County's Deferred Maintenance is lingering and is not going away but is only getting worse. It is a complex issue that requires proactive planning, adequate funding and strong leadership.

Lastly, there may be Deferred Maintenance items that are "out of sight and out of mind" but are still a risk to the County. Those that are seen and should have been dealt with could easily become a negligence case, or even a gross negligence case against the County, costing unforeseen millions of dollars, making it essential to act now!

In conclusion, Tuolumne County's Unfunded Liabilities, including CalPERS obligations, ECU costs, Deferred Maintenance, and one-time monies, pose significant financial challenges. The growth of the ECU coupled with the lack of clear definitions and potential misuse of classifications, ongoing CalPERS commitments and long-standing Deferred Maintenance issues have added to these pressures. Additionally, the reliance on one-time money funding sources has created long-term budgetary strains. By addressing these issues through transparency, insight and long-term planning, the County can improve its financial stability and ensure that resources are allocated efficiently to meet the needs of its residents.

FINDINGS

CalPERS

F-1
It is difficult to predict future costs of pension funds due to being linked to the investment market, causing the risk of a short fall from what was earned to what we owe.

F-2
Tuolumne County, with the assistance of new state laws and good faith bargaining with employees, has made strides towards reducing unfunded liabilities by paying early, which saves $300K on the annual payment due as well as paying an additional $1M on the principal.

F-3
Periodic comprehensive update reports on pension reform are valuable tools for gauging the progress of reducing the unfunded CalPERS liability, which in turn impacts the budget.

ECU

F-4
There has been a significant growth in the ECU classification over the last 5+ years, which has caused a significant financial impact on the County's budget and CalPERS obligations.

F-5
Within Tuolumne County Government there is a lack of understanding as to what defines ECU classification, causing confusion as to whether employees should be in the ECU classification.

F-6
Tuolumne County Government lacks understanding of the fiscal impact an ECU classification has on the County's budget, thus there is no clear plan to monitor ECU growth.

F-7
There is a perception that the ECU classification has been misused thus undermining the integrity of the classification.

F-8
Tuolumne County has not filed an Annual Comprehensive Financial Report (ACFR) for the prior three years (2022, 2023 and 2024), causing the County to have a negative credit rating and to lose opportunities for qualifying for future grants.

Deferred Maintenance

F-9
The Tuolumne County Board of Supervisors and Senior County Administration has not developed a plan to finance Deferred Maintenance based on a CIP as mentioned in their FY2022-2023 and FY2024-2025 Strategic Goals, thus not achieving their own goals.

F-10
Senior County Administration has not issued an RFP to develop a CIP, thus not providing feedback for actual costs of CIP to the County for budget purposes.

F-11
Tuolumne County Ordinance Code, section 2.12 .170, requires that the CAO's office maintain an updated CIP in their possession. Currently one does NOT exist, therefore violating the ordinance Code.

F-12
The County has a current "Adopted Budget County Capital Projects" document for the current budget cycle which facilitates budget planning.

F-13
The County has a Deferred Maintenance List that is delineated by building and is extensive, but has very little prioritization, no dates or associated costs hence there is no way to properly plan or budget for projects.

F-14
The County lacks any sort of comprehensive project tracking document that includes costs (staff estimates or contractor bids), thorough prioritization and dates as to when an issue is noted and due dates for completion. Hence there is no way to properly plan or budget for projects.

F-15
The condition of some life-safety equipment in County buildings is potentially inadequate, such as fire alarms, horn strobes (audible and visual), waterflows sensors, and emergency signage thus exposing the County to potential legal and financial liabilities.

F-16
The County's building insurance coverage was threatened to be canceled if measures weren't taken to eliminate the causes of previously claimed losses.

RECOMMENDATIONS

CalPERS:

R-1
The Board of Supervisors should, by November 30, 2025, publish a pension reform update and continue to do so annually.

R-2
The County should continue annual prepayments to CalPERS to reduce unfunded liabilities.

R-3
The Board of Supervisors, Senior County Administration and bargaining units should, by June 30, 2026, examine the possibility of providing a 401(k), or similar employer retirement plan in lieu of investing in CalPERS for new employees to reduce future CalPERS liability.

ECU:

R-4
The Board of Supervisors, starting October 1, 2025, should mandate that an annual report be prepared showing all employees and costs of the ECU classification and, during the year, require clearly delineated qualifications and costs of any proposed new hires that may become part of the ECU, prior to their hiring.

R-5
The Board of Supervisors should, starting October 1, 2025, prepare a long-term solvency plan addressing pensions and general fund shortfalls and address the public with this plan each year through a PowerPoint presentation.

R-6
The Board of Supervisors should, by October 1, 2025, clarify and standardize what the ECU is as to definitions, qualifications, etc., and place that information in a document that is available to the public.

R-7
The Board of Supervisors should review all current ECU employees for compliance with the updated ECU definitions and qualifications by November 1, 2025.

R-8
The Board of Supervisors should, by October 1, 2025, implement stronger oversight of hiring practices and require public reporting on ECU staffing and costs.

R-9
The Board of Supervisors, beginning August 1, 2025, should request a monthly report from the Auditor/Controller's Office on the status of all overdue audits including the ACFRs.

Deferred Maintenance:

R-10
The Board of Supervisors should develop a plan to finance Deferred Maintenance by November 30, 2025.

R-11
The Board of Supervisors should issue a Request for Proposal (RFP) to prospective consultants for a new Capital Improvement Plan (CIP) by November 30, 2025.

R-12
The Board of Supervisors, by May 31, 2026, should choose and award a contract for a consultant to develop a comprehensive Capital Improvement Plan (CIP) that is due by November 30, 2026.

R-13
The Board of Supervisors should, by December 31, 2025, mandate that an alternate in-house version of a CIP be developed and look at using free or low-cost tools and templates available from organizations like Government Finance Officers Association (GFOA) or the International City County Management Association (ICMA).

R-14
The Board of Supervisors should mandate that the CAO's office maintain an updated CIP (or alternate version of the document), beginning November 30, 2025, and use it as a tool for limiting liability and budget planning.

R-15
The Board of Supervisors should mandate that, by May 31, 2026, all County owned and leased buildings be thoroughly reviewed for life/safety inadequacies and that solutions are developed for any inadequacies found.

R-16
The Board of Supervisors, by Dec 31, 2025, should obtain a report on the state of insurance coverage on all County owned and rented buildings to verify that there are no outstanding coverage concerns by the insurance carrier.

REQUIRED RESPONSES

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

The Tuolumne County Board of Supervisors must respond to Findings **F1-F16** and Recommendations **R1- R16** within 90 days of receipt of this report.

BIBLIOGRAPHY

Annual Comprehensive Financial Reports (tuolumnecounty.ca.gov/154/Financial-Data)

The Tuolumne County Board of Supervisors Governance Manual

The Budget Act

The Tuolumne County Governance Ordinance Employer/Employee Relations Resolution

Fair Labor Standards Act

Allocated Positions Report for Adopted Report fiscal year 2024 - 2025

Sonoma County Grand Jury Report 2014 - 2015

Shasta County Grand Jury Report 2016 - 2017

County of Plumas Civil Grand Jury Report 2019 - 2020

FY 2022-2023 Tuolumne County Strategic Goals

FY 2024-2025 Tuolumne County Strategic Goals

Board of Supervisors' Response to 2011-2012 Tuolumne County Civil Grand Jury Findings

DISCLAIMER

Reports issued by the Civil Grand Jury do not identify the individuals interviewed. Penal Code section 929 requires that reports of the Civil 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.