



September 10, 2019

Honorable Linda L. Lofthus, Presiding Judge
Superior Court of California, County of San Joaquin
180 East Weber Avenue, Suite 1306J
Stockton, CA 95202

Dear Judge Lofthus:

Responses to the 2018-2019 Grand Jury Report

Pursuant to Sections 933 and 933.05 of the California Penal Code, the following are responses to the 2018-2019 San Joaquin County Grand Jury for the report entitled “San Joaquin County Parks and Recreation: Budget Challenges and Matters of Trust 2018-2019” (Case No. 0118)

1.0 Parks and Recreation Budget and Trust Usage

Finding

F1.1 The Parks and Recreation Division budget has not kept pace with inflation, nor has it benefited from substantial growth in the overall County budget, thereby hindering the Division’s ability to maintain and improve the parks.

Agency Response

F1.1 Partially Disagree

The Parks and Recreation Division utilizes ongoing programs offered from other county divisions that include repairs, maintenance, and improvement to the parks and the costs associated have not historically been reflected in the Parks and Recreation budget. In 2018-2019 this cost was estimated to be approximately \$800,000. In addition, the 2019-2020 budget narrative includes a description of an estimated \$905,000, specifically for parks facility improvement projects through the Public Improvement Program and General Fund.

Finding

F1.2 The reduction in County contributions through Net County Costs has further exacerbated the Parks and Recreation budget challenges.

Agency Response

F1.2 Disagree

Beginning in FY 2011-2012, General Fund contributions for the Parks and Recreation Division have been reduced a total of four (4) years and increased five (5) years. During the same time, the Division’s revenues have increased three (3) years and decreased six (6) years.

Fiscal Year	General Fund	Revenue
2011-2012	\$3,776,537	\$1,601,963
2012-2013*	\$426,409	\$4,348,326
2013-2014	\$2,113,634	\$2,844,191
2014-2015	\$1,715,820	\$3,098,370
2015-2016	\$1,769,986	\$2,873,854
2016-2017	\$2,572,711	\$2,685,957
2017-2018	\$2,377,440	\$2,696,076
2018-2019	\$2,295,359	\$2,291,884
2019-2020	\$3,804,296	\$2,251,452 (adjusted)

* The 2012-2013 Revenue includes operating transfers in the amount of \$1,630,758 that should have been processed in 2011-2012.

In addition to General Fund support for the Parks and Recreation Division, the following table identifies the additional General Fund support that has been provided through the Capital Projects Division during the same timeframe, totaling \$6,108,181:

Fiscal Year	General Fund
2011-2012	\$ 578,479
2012-2013	\$ 404,398
2013-2014	\$ 838,707
2014-2015	\$ 490,126
2015-2016	\$1,349,316
2016-2017	\$ 232,608
2017-2018	\$1,013,721
2018-2019	\$1,200,826
Total	\$6,108,181

Finding

F1.3 The Board of Supervisors and the Parks and Recreation Division have continued to supplement the budget with monies from the Parks Trust Funds rather than making the difficult decisions required to balance the Parks and Recreation budget.

Agency Response

F1.3 Disagree

The 2018-2019 budget reflects the difficult decisions that were made, which eliminated three vacant Park Worker positions and significantly reduced the Division’s reliance on part-time temporary (extra-help) positions. The Parks and Recreation Division continues to maintain a balanced budget.

Finding

F1.4 The continued borrowing of money to balance the Parks and Recreation budget is an unsustainable practice that has decimated the Parks Trust Funds.

Agency Response

F1.4 Disagree

The Parks and Recreation Division did not borrow money from the trust funds. Over the past three fiscal years, there has been a significant decrease in the utilization of the Parks Trust Funds.

Finding

F1.5 Despite direction by the Board of Supervisors to create a program to reduce reliance on trust funds and provide a balanced budget by 2014-2015, the Parks and Recreation Division continues to rely on trust funds to balance its annual budget.

Agency Response

F1.5 Partially Disagree

The County Parks are supported by revenue from trust accounts established for their maintenance and operation. The Micke Grove Trust Fund receives approximately \$300,000 each year for the operation and maintenance of the Micke Grove Park. The Park Donation Trust funds have been utilized in accordance with the donor's intent. The funds in the Subdivision Trust have been used in accordance with the parameters set forth in County Ordinance 3675, which requires the dedication of land or the imposition of fees in lieu thereof, or a combination of both, for park or recreational purposes. The approved Parks and Recreation Division budget for 2019-2020 only utilizes trust funds specifically designated for maintenance and operations and is a balanced budget.

Finding

F1.6 Despite recognition by members of the Board of Supervisors that the trust funds should be paid back once the economy recovered, no effort has yet been made to repay the "borrowed" money.

Agency Response

F1.6 Partially Disagree

As previously stated, the Parks and Recreation Division did not borrow money from the trust funds. The Board of Supervisors, upon the recommendation of the Parks and Recreation Division, created the Park Endowment Trust. However, the prior acts of the Board of Supervisors cannot deprive its successors of future discretionary policy choices. Thus, although ongoing operations were not included as an intended purpose for use of trust funds at the time that the Park Endowment Trust was created, the Board of Supervisors retained discretion to approve all expenditures of trust funds and has since done so. Additional County General Fund support is provided to the Parks and Recreation Division budget through investments in facilities included within the capital projects budget, totaling \$6,108,181 from 2011-2012 to 2018-2019, as reflected previously in the table for Agency Response to F1.2.

Finding

F1.7 Although the Parks and Recreation Division recognized the chronic overestimation of revenues and reduced the revenue estimates in their 2018-2019 proposed budget by nearly \$360,000, data from the prior two years indicate that the revenue estimates should have been reduced by an additional \$100,000.

Agency Response

F1.7 Disagree

2018-2019 Year-End actuals indicate that the revenue should have been reduced by an additional \$65,000, not \$100,000.

Recommendation

R1.1 By March 31, 2020, the Parks and Recreation Division complete a comprehensive analysis of the County parks system that includes the tradeoffs required to operate the system under a structurally balanced budget.

Agency Response

R1.1 Has been implemented

The Parks and Recreation Division operates within a structurally balanced budget. In 2018-2019, the Division reduced its use of trust funds by \$75,940. The amount budgeted was \$669,500, and end of year actuals were \$593,560. Trust fund usage continues to be reduced annually and has been reduced by approximately 53% since FY 2016-2017.

Fiscal Year	Trust Fund Usage
2016-2017	\$1,034,395
2017-2018	\$ 794,787
2018-2019	\$ 593,560
2019-2020*	\$ 485,078

* Includes an adjustment of \$137,078 to the 2019-2020 proposed budget. The additional funds are being utilized through the Parks Special Projects Fund in accordance with its adopted Policy and Procedures.

Recommendation

R1.2 The Parks and Recreation Division develop and present to the Board of Supervisors a structurally balanced and sustainable budget beginning in 2020-2021 that includes realistic estimates for revenue.

Agency Response

R 1.2 Has been implemented

The 2019-2020 budget has further reduced the usage of trust fund revenue by \$108,482 as compared to the 2018-2019 actual amount of \$593,560 and has reduced revenue estimates by \$69,993 from the 2018-2019 budget.

2.0 County Managed Trust

Park Endowment Trust

Finding

F2.1 Contrary to the original intent of the Park Endowment Trust, the Parks and Recreation Division has proposed, and the Board of Supervisors has approved, the use of principal for operations and maintenance in the park system each year since 2010-2011.

Agency Response

F2.1 Partially Disagree

The Board of Supervisors, upon the recommendation of the Parks and Recreation Division, created the Park Endowment Trust. However, the prior acts of the Board of Supervisors cannot deprive its successors of future discretionary policy choices. Thus, although ongoing operations were not included as an intended purpose for use of trust funds at the time that the Park Endowment Trust was

created, the Board of Supervisors retained discretion to approve all expenditures of trust funds and has since done so.

Findings

F2.2 Prior to its near depletion, the Park Endowment Trust was an invaluable resource, providing the Parks and Recreation Division an ongoing source of seed money for capital development projects and major equipment purchases.

Agency Response

F2.2 Partially Disagree

The Parks and Recreation Division agrees that trust funds are an invaluable resource.

As previously stated, the County General Fund also provided \$6,108,181 of additional funding to the Parks and Recreation Division through investments in capital projects during the previous eight years.

Park Endowment Trust and the Micke Grove Trust

Finding

F2.3 The Park Endowment Trust and the Micke Grove Trust represent an invaluable opportunity to provide an ongoing source of funding for new park initiatives and capital expenditures, if those trust funds are not depleted on an annual basis.

Agency Response

F2.3 Requires Further Analysis

The San Joaquin County Auditor-Controller's Office is currently conducting an audit of County trust funds, including the Parks and Recreation Division's trust funds. The Auditor-Controller's report is expected to be available during mid-year 2019-2020. Parks and Recreation will need to review the results of the report to appropriately respond to the finding.

Parks Special Projects Trust Fund

Finding

F2.4 The Parks Special Projects Trust Fund is an excellent addition to the Parks Trust Funds that, with proper management, will provide a valuable source of funding and operational support for special projects for years to come.

Agency Response

F2.4 Agree

Recommendations

R2.1 Starting with the 2020-2021 proposed budget, the Parks and Recreation Division discontinue the use of both the Micke Grove Trust and the Park Endowment Trust to fund operation and maintenance of the parks.

R2.2 The Parks and Recreation Division allow the principal of the Micke Grove Trust and the Park Endowment Trust funds to grow and utilize only the interest to support new park initiatives or capital expenditures.

Agency Responses

R2.1 & R2.2 Requires further analysis and timeframe for further determination within twelve months

Board Resolution R-18-37 established the Micke Grove Trust Account in accordance with the Terms and Conditions of the Last Will of William G. Micke to operate and maintain the Micke Grove Park. Annual revenues are utilized in accordance with the adopted resolution.

The Fiscal Year 2019-2020 budget utilizes \$485,578 from multiple trust accounts. Reducing this amount by an additional \$330,000 in 2020-2021 requires further analysis.

Trust	2019-2020 Estimated Deposits	2019-2020 Utilization
Micke Grove Trust	\$ 300,000	\$ 230,000
Park Activity Trust	\$ 7,500	\$ 6,000
Park Endowment Trust	\$ 235,000	\$ 100,000
Fish & Wildlife	\$ 7,500	\$ 7,500
Park Donation Trust	\$ 5,000	\$ 5,000
Special Projects	\$ 512,500	\$ 137,078*
Total	\$ 1,067,500	\$ 485,578

* An increase of \$137,078 from the 2019-2020 proposed budget. The additional funding is from the Parks Special Projects Fund, in accordance with its adopted Policy and Procedures.

Additionally in 2019-2020, the Auditor-Controller’s Office will be completing an audit of Parks and Recreation Division Trust Funds, and the report will be presented to the Division with its findings and recommendations.

3.0 Non-County Managed Trusts

Finding

F3.1 The Grand Jury found it difficult to determine Wells Fargo’s effectiveness in managing the William G. Micke Estate Trust because the biennial reports filed with the court do not contain performance information.

Agency Response

F3.1 Requires further analysis and timeframe for further determination within twelve months.

Recommendation

R3.1 By December 31, 2019, the Board of Supervisors require Wells Fargo to submit an annual

performance report for the William G. Micke Estate Trust. This report shall include the total return compared to an industry-standard benchmark with a similar risk profile.

Agency Response

R3.1 Requires further analysis and timeframe for further determination within twelve months.

4.0 Parks and Recreation Benchmarking Assessment Report

Finding

F4.1 Despite a strong recommendation in the Taussig report that staffing cuts would be inappropriate, the Parks and Recreations Division has continued to eliminate positions.

Agency Response

F4.1 Disagree

The Taussig report states, “there may be room to improve employee efficiencies through increased staffing efforts or a realignment of employee roles.”

The Parks and Recreation Division has not continued to eliminate positions. The last elimination was during the 2018-2019 Fiscal Year. The 2019-2020 budget does not eliminate any positions, and the Division has retained a number of Zoo part-time staff during both 2018-2019 and 2019-2020.

During midyear 2018-2019, the Parks and Recreation Division secured Board approval to reclassify an administrative support staff position to a Park Worker position in an effort to create a more efficient division. Other efficiencies include cross training staff in all of the departments; parks, zoo, and administration, expanding the online reservations system, improving the volunteer program, and the creation of a marketing program with annual events.

Finding

F4.2 While “doing more with less “is admirable, it is apparent that the Parks and Recreation Division is at the point of “doing less with less,” especially considering the additional staffing cuts in 2018-2019 and the rising costs of services and maintenance.

Agency Response

F4.2 Disagree

While the 2018-2019 budget eliminated three vacant full-time positions, the 2019-2020 budget does not eliminate any positions.

As part of the 2018-2019 mid-year budget review process, the Board of Supervisor increased the Parks and Recreation Division appropriations for utilities by \$50,000 and the motor pool allocation by \$39,679 increasing General Fund contributions by \$76,679. The approved 2019-2020 budget included additional increases of \$18,173 and \$4,445 respectively from the General Fund.

Finding

F4.3 The very low per capita contribution from the County is a major factor in the Parks and Recreation Division’s inability to balance the budget.

Agency Response

F4.3 Disagree

The Parks and Recreation Division operates within a balanced budget. The Taussig Report used Stanislaus, Placer, and Yolo counties for benchmarking purposes in 2018-2019 in which the low per capita statistic is being used. The report also compared Net County Cost contributions as a percentage of the overall budgets and reported that San Joaquin, Stanislaus and Placer Counties fall within 1% of each other.

The report warns that no parks and recreation departments are alike, and such differences in sources of funding, organizational structure, and policy objectives are to be expected. The report also states that when examining the statistics, it is important to consider each in context. Each is a component of a greater whole and its isolation may prove to be an ineffective comparative tool.

Recommendation

R4.1 By March 31, 2020, the Parks and Recreation Division provides the Board of Supervisors with a plan for addressing the findings in the Taussig report, including (1) appropriate staffing levels, (2) rising costs of services and maintenance, and (3) long-term funding options.

Agency Response

R4.1 Has been implemented /To be implemented

During the 2019-2020 budget hearing portions of this request have already been addressed with an increase in allocations to offset the increases in services and maintenance.

Although the Taussig report states that the Parks and Recreation Division has 6.61 FTE's per regional park, which is lower than the benchmarked counties, the Taussig report also states that San Joaquin's regional park acreage is less than the benchmarked counties which are likely due to the urbanized nature of the County. The County utilizes the Alternative Workforce Program, which in 2018-2019 averaged 584 hours worked per month or the equivalent of 3.3 FTE's, which would bring the FTE's to 9.9 and align such statistic with the benchmarked counties

Finding

R4.2 In the 2020-2021 Proposed Budget, the Parks and Recreation Division present options to the Board of Supervisors for bringing the per capita contribution more in line with the contributions from the benchmarked counties.

Agency Response

R4.2 Requires further analysis and timeframe for further determination within twelve months.

5.0 Loss of Historical Knowledge

Finding

F5.1 Departmental reorganizations and turnover have resulted in the loss of historical knowledge amongst the Parks and Recreation leadership and staff.

Agency Response

F5.1 Agree

Recommendation

R5.1 By June 30, 2020, the Parks and Recreation Administrator gather together into a living document the necessary information to accurately document requirements of the trust funds, the stipulations related to grants awarded for each park, the requirements for managing any property donated to the County parks system, and any other historical information that may be required by future Parks and Recreation Division administrators and employees.

Agency Response

R5.1 To be implemented

The Parks and Recreation Division will create a living document that will include trust fund information, recommendations from the Auditor Controllers audit, grant information and requirements, and bequeathment requirements. This document will be updated by the Division on an annual basis.

Recommendation

R5.2 The Parks and Recreation Administrator present this information to the Board of Supervisors during the 2020-2021 budget hearings to ensure the board has a clear understanding of this information when making budget decisions.

Agency Response

R5.2 To be implemented

The Parks and Recreation Division will create a living document that will include trust fund, information, and recommendations from the Auditor Controllers audit, grant information and requirements, and bequeathment requirements. This document will be updated by the Division on an annual basis and provided to the Board as part of the Division's budget process.

Sincerely,



Miguel A. Villapudua
Chairman, Board of Supervisor

c: Board of Supervisors
Clerk of the Board
County Administrator
County Counsel