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TULARE COUNTY GRAND JURY REPORT 2015-2016

5. During the period of time from January of 2010 through December of 2015, there is an absence of detailed disclosure of financial aspects of the Tower I project in TLHCD board minutes. Moreover, the minimal amount that was disclosed was found to be inaccurate.
6. TLHCD often times failed to disclose pertinent information (to which taxpayers are entitled) related to the financial aspects of the Phase I Project.
7. During the period of time from 2008 to 2014, TLHCD Directors hired; fired; hired again and fired again the same individual to serve in the capacity of Chief Executive Officer of TRMC with attendant severance packages ultimately costing in the hundreds of thousands of dollars.
8. A significant delay in construction of Phase I occurred due to the delamination of the concrete poured by the contractor on the upper floors of Tower I. This in turn, led to litigation which resulted in TLHCD being directed by the court to settle with the original contractor at an expense of \$7.9 Million to TLHCD taxpayers.
9. TLHCD did not engage the services of an **independent** construction manager until February 26, 2013, well over four years after construction on the Phase I project began.
10. As of November 13, 2013, the Phase I Project had in excess of seven hundred (700) change orders and over five thousand (5000) "RFI's" (requests for information) recorded, each of which constitutes an expense over and above the contractor's original estimate of total cost of construction. In this case, the additional costs totaled \$17,511,869.

FINDINGS:

- F1. The TLHCD routinely withheld pertinent information and financial data from the Bond Oversight Committee, thus rendering the Committee incapable of performing its oversight function.
- F2. The Bond Oversight Committee failed to exercise due diligence in following up on requests for detailed financial information which was necessary for the independent oversight of the expenditure of bond funds.
- F3. The 2005 voter authorized \$85 Million in bonds has been completely expended. At the time this report was drafted, TLHCD had only an uncompleted and non-functional structure to show for it.
- F4. It appears that TLHCD either intentionally or unintentionally failed to comprehend the issue of the cost differential between the \$85 Million in bond authorization and the total project cost estimated to be well in excess of \$100 Million. It further appears that TLHCD attempted to justify their position by unsupported estimates of reserves and projection of future revenues.
- F5. Strict and complex statutes regarding public disclosure of information pertaining to the expenditure of funds proceeding from the issuance of bonds, appear to have been routinely circumvented by the TLHCD Board of Directors.
- F6. Minutes of TLHCD meetings from January 2010 through December of 2015 fail to disclose the

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dire situation into which the Phase I project had devolved, thus leaving TLHCD taxpayers without direct access to information to which they were entitled.

- F7. The turmoil surrounding the personnel turnover at the top of the TLHCD management structure served to distract Board Members' attention from the Phase I Project, thus leading to additional delays and severance agreements in the hundreds of thousands of dollars.
- F8. The court ordered settlement represents 9.29 percent of the \$85 Million in proceeds from the sale of bonds and required funds needed to complete Phase I to be allocated to a purpose other than construction.

CONCLUSION:

The Tulare County Grand Jury undertook investigation of this complaint with the goal of uncovering truths and answering questions which had been withheld from the public for nearly a decade (from commencement of construction of the Phase I Tower in 2005, through the end of 2015). Seven months of intense investigation has brought the Grand Jury to the conclusion that millions of dollars in public funds have not been accounted for by the TLHCD. Moreover, the preponderance of evidence presented to the Grand Jury indicates that over the same period of time, the TLHCD withheld information pertaining to the expenditure of public funds to which the District's constituents were entitled.

RECOMMENDATIONS:

- R1. That the TLHCD Board of Directors, without delay, undergo training in aspects of governmental transparency and disclosure requirements pertaining to the expenditure of public funds.
- R2. That the TLHCD Board of Directors, without delay, release to the general public a full disclosure of the manner in which proceeds from the sale of \$85 Million in bonds were expended from September of 2007 through December of 2015.
- R3. That the current Bond Oversight Committee be disbanded and a new Committee seated, fully enabled to disclose the actual/present financial circumstances surrounding the Phase I Project.

REQUIRED RESPONSES:

- 1. Tulare Local Health Care District Board of Directors

Disclaimer

Grand Jury reports are based on documentary evidence and the testimony of sworn or admonished witnesses, not on conjecture or opinion. However, the Grand Jury is precluded by law from disclosing such evidence except upon specific approval of the Presiding Judge of the Superior Court, or another judge appointed by the Presiding Judge (Penal Code Section 911, 924.1 (a) and 929). Similarly, the Grand Jury is precluded by law from disclosing the identity of witnesses except upon an order of the court for narrowly defined purposes (Penal Code Section 924.2 and 929).

SYNOPSIS

Complaint 15/16 #1

The Tulare County Grand Jury received a citizen's complaint on July 6, 2015 alleging a local public utility district had board members living within close proximity to one another and restrictive business hours. Following a review of requested District documents, the Grand Jury found the business practices of the District warranted no further investigation. The complaint was officially closed on September 11, 2015.