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BOARD OF SUPERVISORS
COUNTY OF TUOLUMNE

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July 11, 2025

Presiding Judge of Superior Court
Honorable Kevin M. Seibert
c/o Court Executive Office
Tuolumne County Superior Court
12855 Justice Center Drive
Sonora, CA 95370

Re: Response to Grand Jury Report – **Unfunded Liabilities and Related Financial Challenges dated May 12, 2025**

The following is submitted in response to the 2024-25 Grand Jury Report as it pertains to the Unfunded Liabilities and Related Financial Challenges. The Tuolumne County Board of Supervisors wish to extend their gratitude to the Grand Jury members for their time in preparing the final Grand Jury reports. Please accept this as our response to your carefully prepared report.

Findings

1. CalPERS

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

F-1 Response: *The Board of Supervisors agrees with this finding.*

Finding 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 $1 M on the principal.

F-2 Response: *The Board of Supervisors agrees with this finding. In addition to making extra payments on the principal of the county's unfunded pension liability, in May 2023, the Board established a Section 115 Trust and has added an additional $2 M to that trust fund in the past two years, which is being invested and set aside for future PERS and Other Post-Employment Benefits (OPEB) which the County can draw on to help pay its future obligations.*

Finding 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.

F-3 Response: *The Board of Supervisors agrees with this finding*.

2. ECU

Finding 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-4 Response: *The Board of Supervisors agrees with this finding. This has caused an impact to the County's budget and CALPERS obligations.*

Finding 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-5 Response: *The Board of Supervisors partially agrees with this finding. Many individuals in Tuolumne County Government are aware of what defines an ECU classification, but it is clear from the Grand Jury's report that there is still some confusion and inconsistencies from many about the definition of the ECU classification.*

Finding 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-6 Response: *The Board of Supervisors partially agrees with this finding. County staff are working toward an HRIS solution that will help with monitoring ECU growth.*

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

F-7 Response: *The Board of Supervisors agrees that there is a perception that the ECU classification has been misused.*

Finding 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.

F-8 Response: *The Board of Supervisors partially agrees with this finding. The Annual Comprehensive Financial Report (ACFR) for 2022 has now been filed, but the 2023 and 2024 ACFRs remain incomplete. The County does not have a negative credit rating; the County's credit rating has been pulled, and can be reinstated when the two outstanding ACFRs are completed.*

3. Deferred Maintenance

Finding 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-9 Response: *The Board of Supervisors agrees with this finding. While the Board has consistently contributed funding each year toward capital and large deferred maintenance projects, the projects funded are generally prioritized based on greatest need and not based on a formal Capital Improvement Plan (CIP).*

Finding 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-10 Response: *The Board of Supervisors agrees with this finding. An RFP for a CIP has not been released since 2010. Currently, cost estimates for budgeting purposes for specific projects are obtained individually by project.*

Finding 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-11 Response: *The Board of Supervisors agrees with this finding. The last Capital Improvement Plan adopted by the Board was a five-year plan for fiscal years 2011-2012 through 2015-2016.*

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

F-12 Response: *The Board of Supervisors agrees with this finding. California Government Code requires the Board approve capital assets as part of adopting the budget each year, and capital projects anticipated to be completed that fiscal year must be reported individually by project.*

Finding 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-13 Response: *The Board of Supervisors partially agrees with this finding. The County uses a work order software to track maintenance projects, which includes dates as to when the issue was noted. If the project is not completed in-house by county staff, financial estimates are obtained on a project-by-project basis.*

Finding 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-14 Response: *The Board of Supervisors agrees with this finding. While an extensive countywide survey was conducted in January 2025 to help prioritize the capital projects and large deferred maintenance projects, there are no associated costs or dates included in the list.*

Finding 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-15 Response: *The Board of Supervisors agrees with this finding, however, the Board has already taken steps to address some issues, including relocating the Sheriff's dispatch center to Striker Court.*

Finding 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.

F-16 Response: *The Board of Supervisors agrees with the importance of this finding, but insurance coverage has not been threatened. However, premiums have been adversely impacted, and some claims have been denied as a result of deferred maintenance.*

Recommendations

1. CalPERS

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

R-1 Response: *This recommendation has already been implemented. The Board receives an update from County Administration staff and the County Auditor annually on current and future pension obligations and liabilities.*

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

R-2 Response: *This recommendation has been implemented. The FY 25-26 Recommended Budget includes prepayments and additional principal payments to CalPERS to reduce unfunded liabilities.*

Recommendation 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.

R-3 Response: *This recommendation requires further analysis, because in order to exit from CalPERS the County would be responsible to immediately pay CalPERS its unfunded liabilities associated with accrued benefits, which would be substantial. Further, even when an agency leaves CalPERS, it is still responsible for the retirement benefits of current retirees and those who leave their contributions with CalPERS. This analysis is anticipated to be completed within the fiscal year.*

2. ECU

Recommendation 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-4 Response: *This recommendation has been partially implemented. As a part of the Adopted budget, the Board approves the rate of pay for each classification, including those in the ECU.*

Recommendation 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-5 Response: *This recommendation has already been implemented. The Board of Supervisors receives two presentations annually discussing pensions and general fund shortfalls in public meetings, and the PowerPoint presentations are posted on the County's website.*

Recommendation 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-6 Response: *This recommendation was implemented*.

Recommendation 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-7 Response: *This recommendation is already being implemented*.

Recommendation 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-8 Response: *This recommendation is already being implemented through centralization of recruitment and selection practices and through the use of a software platform, NeoGov, which captures recruitment data.*

Recommendation 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.

R-9 Response: *This recommendation has already been implemented. The Auditor-Controller keeps the Board of Supervisors and County Administrative staff updated on the status of all overdue audits, including the ACFRs. An RFP has been issued to hire a new auditing firm, and it is anticipated all overdue audits will be complete by December 2025.*

3. *Deferred Maintenance*

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

R-10 Response: *This recommendation has been partially implemented. The Board has been consistently contributing $1 M to $500,000 annually toward capital and large deferred maintenance projects. A comprehensive plan to finance deferred maintenance cannot be developed until the County has an updated CIP.*

Recommendation 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-11 Response: *This recommendation has been partially implemented. As a cost-savings measure, county staff have begun the process to develop a CIP instead of issuing an RFP.*

Recommendation 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-12 Response: *This recommendation has been partially implemented. County staff intend to have a CIP complete by June 30, 2026.*

Recommendation 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-13 Response: *This recommendation is being implemented by members of the County's Public Works department, Facilities Management division.*

Recommendation 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-14 Response: *This recommendation will be implemented once the CIP has been finalized. County staff are currently working on the CIP as the Board does not want to expend funds on an outside consultant to complete this task.*

Recommendation 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-15 Response: *This recommendation is currently being implemented.*

Recommendation 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.

R-16 Response: *This recommendation has been implemented.*

We appreciate the opportunity to respond to the above findings and recommendations.

Sincerely,

Jaron E. Brandon,
Chair, County of Tuolumne Board of Supervisors

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

HEATHER D. RYAN
Board Clerk

By: ______________________