

# San Joaquin County Grand Jury



## San Joaquin County Parks and Recreation: Budget Challenges and Matters of Trust

2018 - 2019 Case #0118



## Summary

The San Joaquin County park system is a treasure for the enjoyment of all the citizens of the County. The 21 parks in the system provide a wide range of activities including camping, boating, golfing, wilderness hiking, and a zoo. In order to help ensure the future viability of the park system, the County Board of Supervisors set up a series of trust funds. These trust funds were intended to manage monies earmarked for specific parks or improvements in the park system.

For the past decade, the Parks and Recreation Division budget has been under a great deal of pressure. During that time, the Parks and Recreation budget has been cut by 16% while the overall County budget has grown by 39%. In order to keep the park system functioning, the Parks and Recreation Division used monies from these trust funds to balance their budget. The result has been a nearly complete depletion of the Parks Trust Funds. At the end of the 2012-2013 fiscal year, the balance of all the trust funds was nearly \$5,500,000. By the end of the 2018-2019 fiscal year, there will be less than \$50,000 remaining. During the past decade, just over \$11,000,000 was taken from these trust funds to supplement the Parks and Recreation Division budget.

The Parks Trust Funds have been depleted to the point where they can no longer provide the level of support needed to maintain the park system. The Board of Supervisors and the Parks and Recreation Division need to develop and implement a plan for managing the park system within a structurally balanced and sustainable budget. Only then can these trust funds be replenished and begin again to provide support for the growth and improvement of the County park system.

## Glossary

- **Angrave Property:** The estate of Joseph M. Angrave donated 205 acres of land to the Parks and Recreation Division in 1986. This land is leased and the grazing rights generate income for the Parks and Recreation Division.
- **Fair Market Value:** In the context of this report, the fair market value is the total value of all cash, securities, and land based on their current value. For securities, it is the current sales price of those securities. For land, it is the most recent appraised value of the land.
- **Net County Cost:** The cost to operate the Parks and Recreation Division beyond the revenue generated by the Division. Monies to cover Net County Cost come from the General Fund.
- **Total Return:** When measuring performance, total return is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends, and distributions.

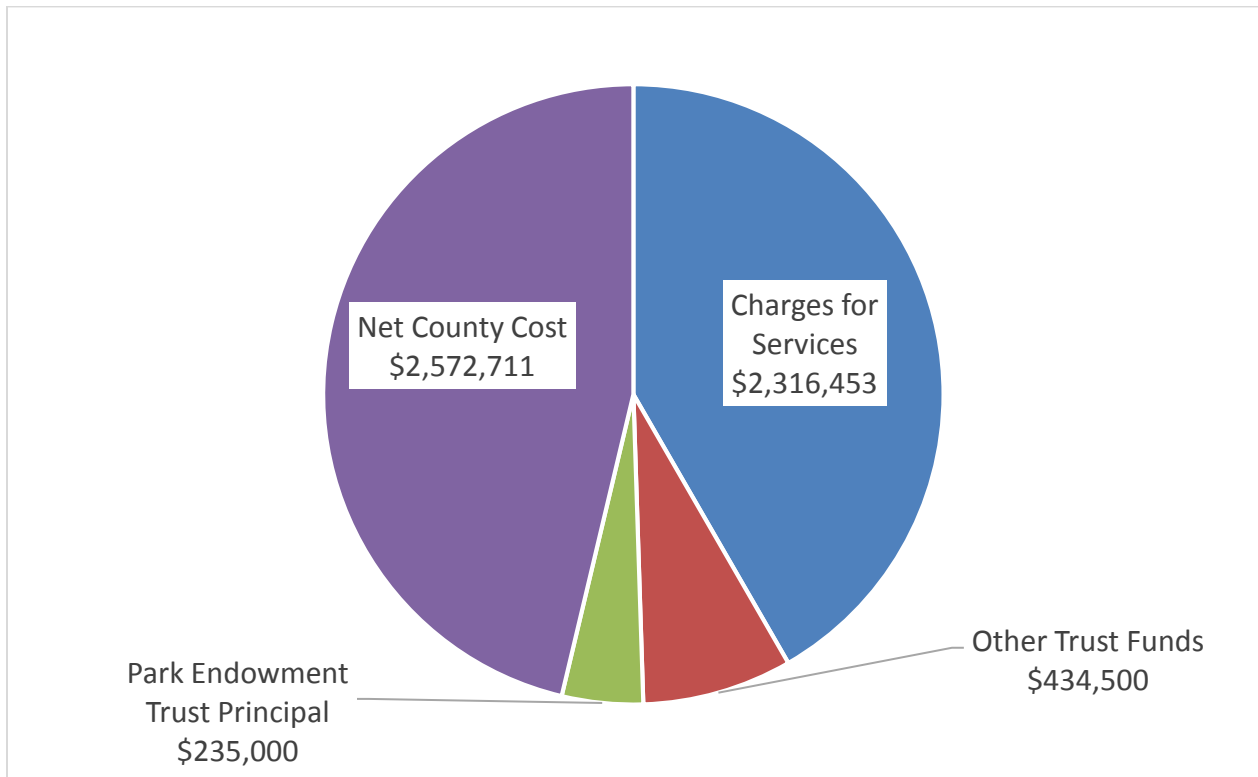
## Background

### County Park System

San Joaquin County operates a system of 21 local and regional parks. The park system provides opportunities for boating, fishing, camping, and many other activities. Available rentals include 23 picnic shelters, 68 campsites, 21 boat slips, and 17 sports fields. Oak Grove Regional Park is 180 acres of old-growth Valley Oak trees which populated the valley before Native Americans and settlers arrived. It is historically and botanically significant. The park system's most popular attraction is Micke Grove Park which features the Micke Grove Zoo, a Japanese Garden, FunTown at Micke Grove, an 18-hole golf course, and the San Joaquin County Historical Museum. In 2017-2018, Micke Grove Park hosted over 345,000 visitors, while the overall park system hosted over 850,000 visitors.

### Parks and Recreation Budget

The requested budget for the San Joaquin County Parks and Recreation Division for 2018-2019 was \$5,323,664. Slightly more than half the overall budget was funded by charges for services and transfers from County managed trust funds. The budget included a request that \$669,500 be transferred from these trust funds, which included approximately \$235,000 in principal from the Park Endowment Trust. Figure 1 below shows this budget distribution.



**Figure 1. 2018-2019 Parks and Recreation Budget**

## County Managed Trusts

The County currently uses ten different trusts to support the Parks and Recreation Division. Each trust was set up to manage a different revenue stream and has a specific intended use. The revenues deposited into some of these trusts are fees which are used for ongoing operations and maintenance. A few of these trusts were intended to be treated as interest-bearing accounts and only the interest generated by the principal in these trusts was to be used to benefit the parks system. For this investigation, the Grand Jury focused on the Park Endowment Trust, the Micke Grove Trust, and the Park Donation Trust. These are the largest of the trusts and/or were established with specific restrictions for the use of the monies in those trusts. Table 1 below is a summary of the ten County managed trust funds currently in use.

**Table 1. Brief Description of the Ten County Managed Trust Funds**

<b>Trust Name</b>	<b>Date Established</b>	<b>Intent</b>
<b>Park Donation Trust</b>	Prior to 1988*	Accepts project specific donations
<b>Park Endowment Trust</b>	May 26, 1987	Accepts non-specific donations and income to fund projects that will benefit the parks system
<b>Micke Grove Trust</b>	January 14, 1986	An interest-bearing fund to account for the annual income from the William G. Micke Estate Trust
<b>Parks and Recreation Activities Trust</b>	Prior to 1988*	Receive funding from park-related activities
<b>Harmony Grove Endowment Trust</b>	February 25, 1992	Fund projects that will benefit the church and grounds
<b>Parks Deposits Trust</b>	March 11, 1980	Accept rental agreement deposits
<b>Subdivision Parks Trust</b>	February 23, 1982	Accept developer impact fees
<b>Micke Grove Construction Trust</b>	Prior to 1988*	Fund construction projects in Micke Grove
<b>Parks Special Projects Trust Fund</b>	December 4, 2018	Fund and provide ongoing operational support for special projects
<b>Parks Development Special Trust Fund</b>	September 25, 2018	Provide funding for the future development of a South County park

\*The Grand Jury does not have the exact date these funds were established

## **Non-County Managed Trust**

One of the most important sources of discretionary funding for the Parks and Recreation Division is the William G. Micke Estate Trust, which is managed by Wells Fargo Bank. During his life, William G. Micke donated 258 acres to San Joaquin County that became known as Micke Grove. Mr. Micke then constructed within Micke Grove: the Julia Harrison Micke Memorial Building, the William and Julia Micke Youth Center, and the Micke Grove Zoo. The remainder of William G. Micke's estate, including an orchard and vineyard, was transferred into the William G. Micke Estate Trust after his death in 1961. His will stipulated that the "net income" generated by the trust be disbursed to San Joaquin County to be used for "maintenance, repair, replacement and operation" of Micke Grove. However, if the net income was not needed for maintenance, repair, replacement and operation, it could be held in reserve for later use or added to the principal of the Trust.

## **Reason for Investigation**

This investigation was initiated by the 2018-2019 San Joaquin Civil Grand Jury in response to a citizen complaint. The complaint alleged misuse of County Park trust funds because the principal in some of these trust accounts was being used for operation and maintenance of the parks inconsistent with the intended use of the monies in these trusts. The Grand Jury expanded this scope to include the overall Parks and Recreation budget.



## **Method of Investigation**

### **Materials Reviewed**

#### County Documents

- County budgets from 2000 to present
- Board of Supervisors resolutions establishing the various Parks Trust Funds
- Draft County audit for the period January 1, 1998 through December 31, 2000
- Fund Reports for the Parks Trust Funds
- Consultant reports
- Staff reports
- Applicable Government codes
- Applicable Internal Revenue Service codes
- Board of Supervisors agendas and meeting videos

#### Documents related to the William G. Micke Estate Trust

- Form 990 tax returns
- Biennial filings by the Trustee (Wells Fargo) to the San Joaquin County Superior Court
- San Joaquin County Superior Court case In re the Estate of William G. Micke
- Last Will and Testament of William G. Micke

### **Interviews Conducted**

- Complainant
- County Administrative and Management personnel
- Current and former Parks and Recreation Division employees
- Legal experts on trusts and foundations
- Park Commissioners
- Member of the Board of Supervisors
- County Auditor/Controller

## Discussions, Findings, and Recommendations

### 1.0 Parks and Recreation Budget and Trust Usage

#### Parks and Recreation Budget

Figure 2 below shows the annual Parks and Recreation budget and the Net County Cost between 2009 and 2019.

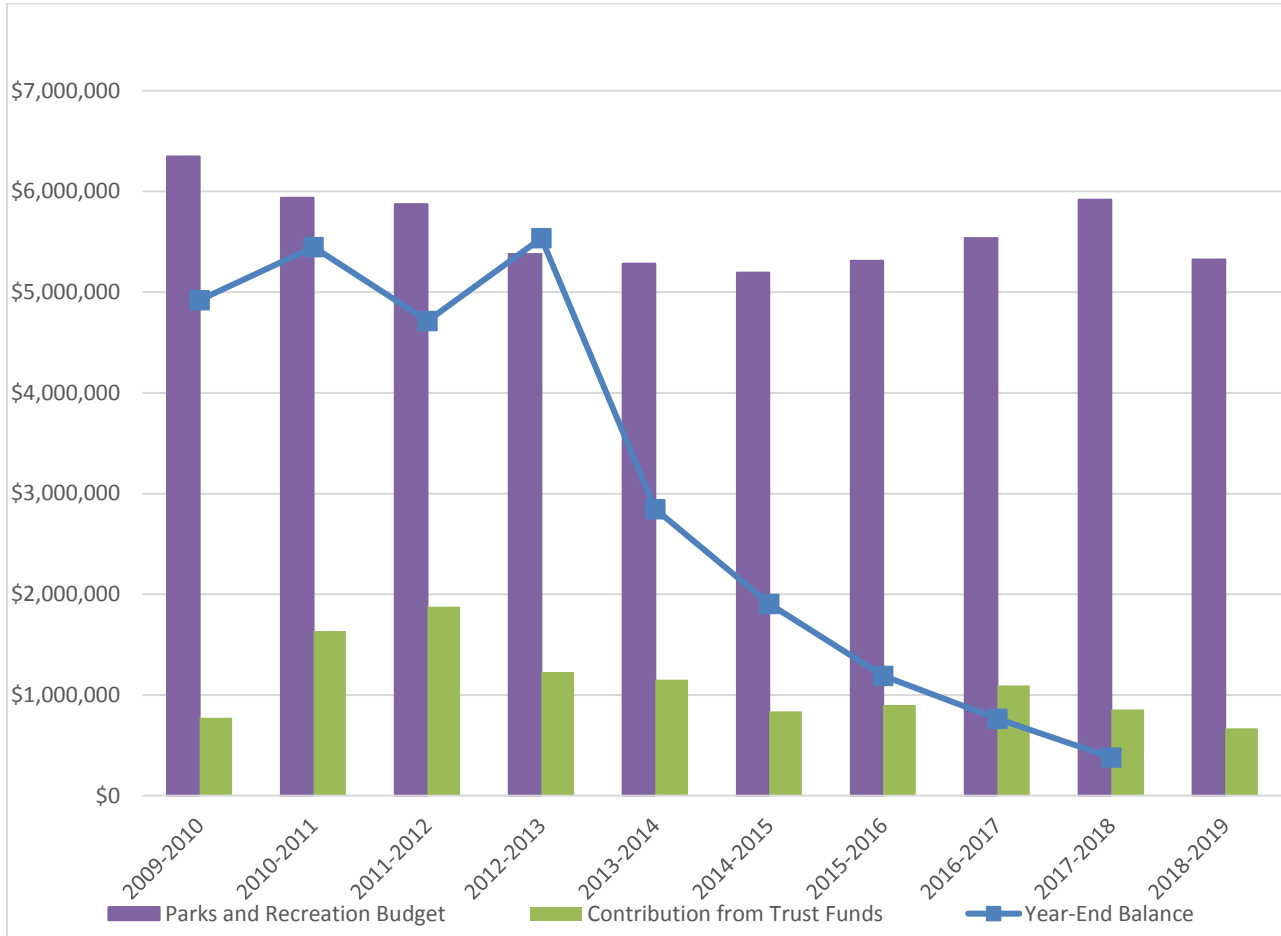


**Figure 2. Parks and Recreation Budget and Net County Cost**

Over the past decade, the Parks and Recreation budget has been cut by 16% while the County budget has grown by 39%. Had the Parks and Recreation budget kept up with inflation, its 2018-2019 budget would have increased by over \$2,000,000. In 2009-2010, Net County Costs covered 58% of the Parks and Recreation budget. By 2018-2019, it covered only 48%.

## Trust Fund Usage

Figure 3 below shows the Parks and Recreation budget, annual trust fund usage, and the year-end balance for the eight trust funds that were in use between 2009 and 2018.



**Figure 3. Parks and Recreation Budget, Trust Fund Usage and Year-End Balance**

Beginning in 2009-2010, the Parks and Recreation Division began using monies from the County managed trusts to support ongoing operations in lieu of layoffs. The 2010-2011 Proposed Budget included a warning that “the proposed transfers would deplete most of the trust fund balances.” That proposed budget also warned that “The continued reliance on the trust funds in 2011-2012 will require that the Board of Supervisors modify its policy for the Park Endowment Trust to utilize the principal balance of the trust,” and that “Unless significant deposits are made to this Trust in the next two years, another source [of] funding will have to be determined or significant changes will have to be made to the operation of the County Park System in 2013-2014.”

Comments made during the 2011-2012 budget hearing were even more pointed. During the question and answer period after the budget presentation, the San Joaquin County Board of

Supervisors Chair made several comments pertaining to the use of trust funds to supplement the budget:

- “What we’ve done over the last two or three years is use reserves, capital project money and obviously park endowment money. Those were all set aside for specific purposes. Obviously the endowment is to use the interest and don’t touch the principal.”
- “Logic would basically say to us that it is an unsustainable practice to eat your young.”
- “When the economy does turn . . . we need to start returning the money we borrowed.”

All subsequent Parks and Recreation proposed budgets included: (1) requests to use the trust funds to supplement the budget, and (2) similar warnings with varying estimates as to when the trust funds would finally be depleted. The 2018-2019 budget year will see the total balance in these trusts drop from a peak of nearly \$5,500,000 dollars at the end of 2012-2013 to less than \$50,000 dollars in 2019. Between 2009-2010 and 2018-2019, just over \$11,000,000 was taken from the Parks Trust Funds to supplement the Parks and Recreation Division budget.

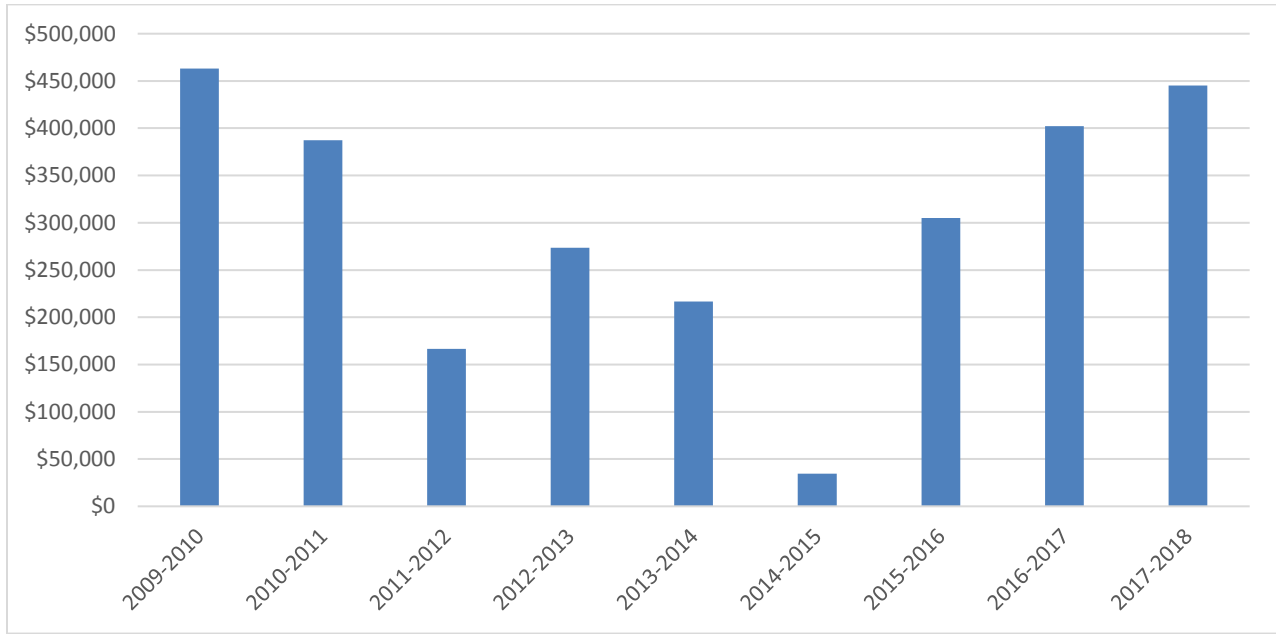
### **Program to Reduce Reliance on Trust Funds**

During the 2011-2012 budget hearings, the Board of Supervisors directed the General Services Director to develop a financial program to reduce the use of trust funds for ongoing parks operations in 2012-2013 and provide an overall balanced Parks and Recreation budget by 2014-2015. A staff report was delivered to the Board of Supervisors on March 26, 2012. This report proposed cutting or delaying filling staff positions and increasing revenue to achieve an estimated savings of nearly \$700,000 in trust fund usage. The report went on to say that “To completely eliminate reliance on the trust funds, more sweeping and drastic measures will have to be considered.” Some of the measures that were to be considered included assessments, special taxes, outside contracting services, park closures, transferring parks to other public agencies, privatization, and turning the zoo operations over to the Zoological Society. The Grand Jury has seen no evidence that any of the proposed measures were implemented.



## Revenue Overestimation

A sizable fraction of the annual Parks and Recreation budget comes from revenue generated by charges for services such as parking, entrance, or use fees. For 2018-2019, charges for services represented 44% of the total budget. Figure 4 below shows the annual shortfall of revenue.



**Figure 4. Annual Revenue Shortfall**

Each year between 2009-2010 and 2017-2018, the revenue estimates in the annual budget exceeded the actual revenue, with a total shortfall during this time period of nearly \$2,700,000. The 2018-2019 budget proposal reduced the estimated revenues by \$358,888 in an attempt to account for these prior overestimations.

## Staffing

The cost of staff is the biggest portion of the annual Parks and Recreation budget. Staffing cuts have been required over the past decade in order to balance the budget. In June 2018, four part-time workers were laid off. Additionally, the 2018-2019 proposed budget called for the elimination of three vacant full-time Park Worker positions and a decrease in part-time help.

## Findings

**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.

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

**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.

**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.

**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.

**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.

**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.

## **Recommendations**

**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.

**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.

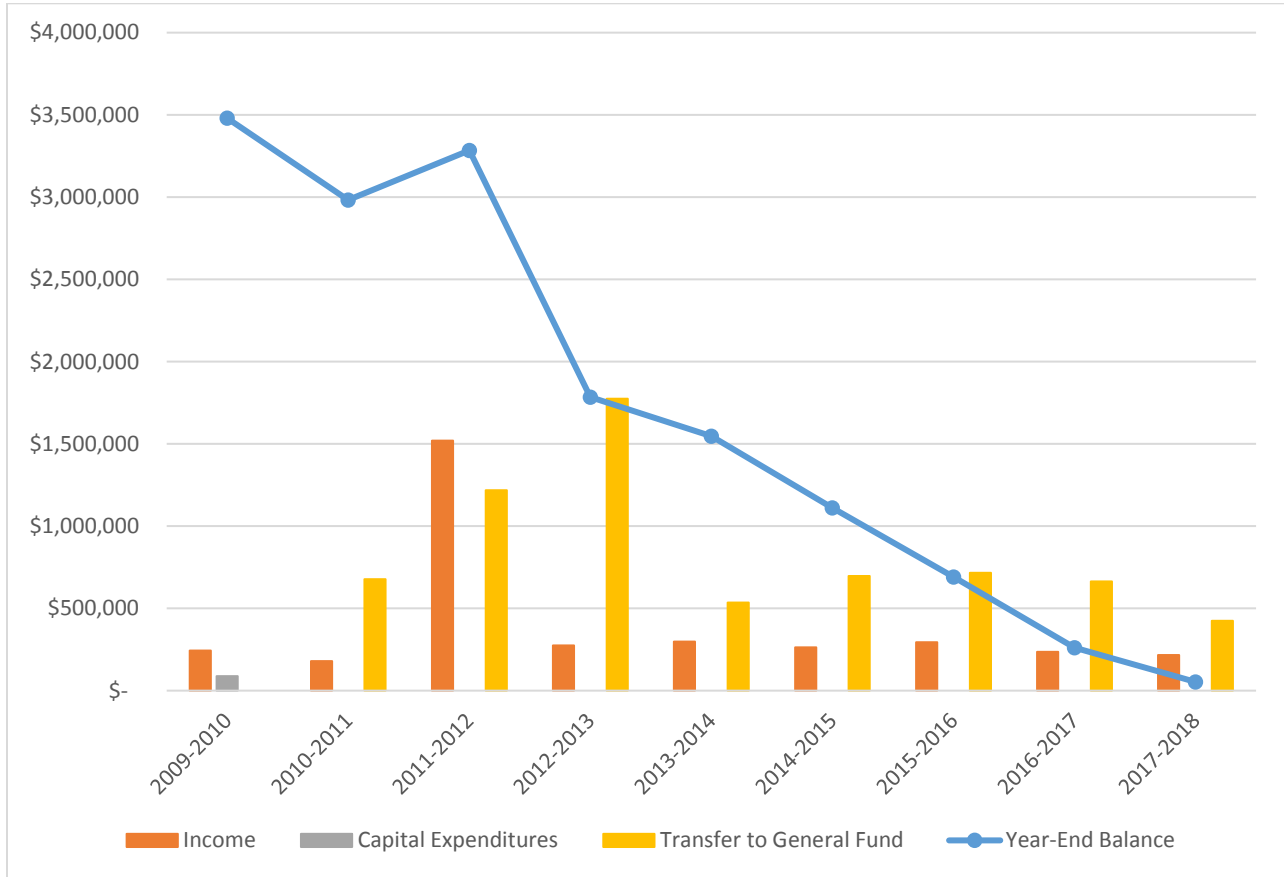
## **2.0 County Managed Trusts**

### **Park Endowment Trust**

The Park Endowment Trust was established on May 26, 1987 as an interest-bearing fund for the purpose of providing financial support to County operated parks. The long-term goal was to add to the principal and use only the interest to fund capital development projects and major equipment purchases. The Board Order (86-1222, May 26, 1987) creating the trust stated that it “...*should not*

*be used to fund ongoing operations.”* Use of any funds in the Park Endowment Trust requires approval of the Board of Supervisors.

Figure 5 below shows the deposits, expenditures, transfers, and year-end balance for the Park Endowment Trust.



**Figure 5. Deposits, Capital Expenditures, Transfers to General Fund, and Year-End Balance for the Park Endowment Trust**

The Micke Grove Golf Links lease is the main source of income for the Park Endowment Trust. Prior to the 2009-2010 fiscal year, there were only a few capital expenditures from the fund, and the trust balance grew to a peak of nearly \$3,500,000. Fiscal year 2009-2010 was the first-time monies were used to supplement the Parks and Recreation budget for ongoing operations. In fiscal year 2010-2011, the Board of Supervisors began approving transfers that included principal out of the Park Endowment Trust into the General Fund to supplement the Parks and Recreation budget. Between 2010-2011 and 2017-2018, a total of \$6,710,102 was transferred out of the Parks Endowment Trust to support ongoing operations and maintenance of the parks. The trust balance at the end of fiscal year 2018-2019 is estimated to be \$3,914.

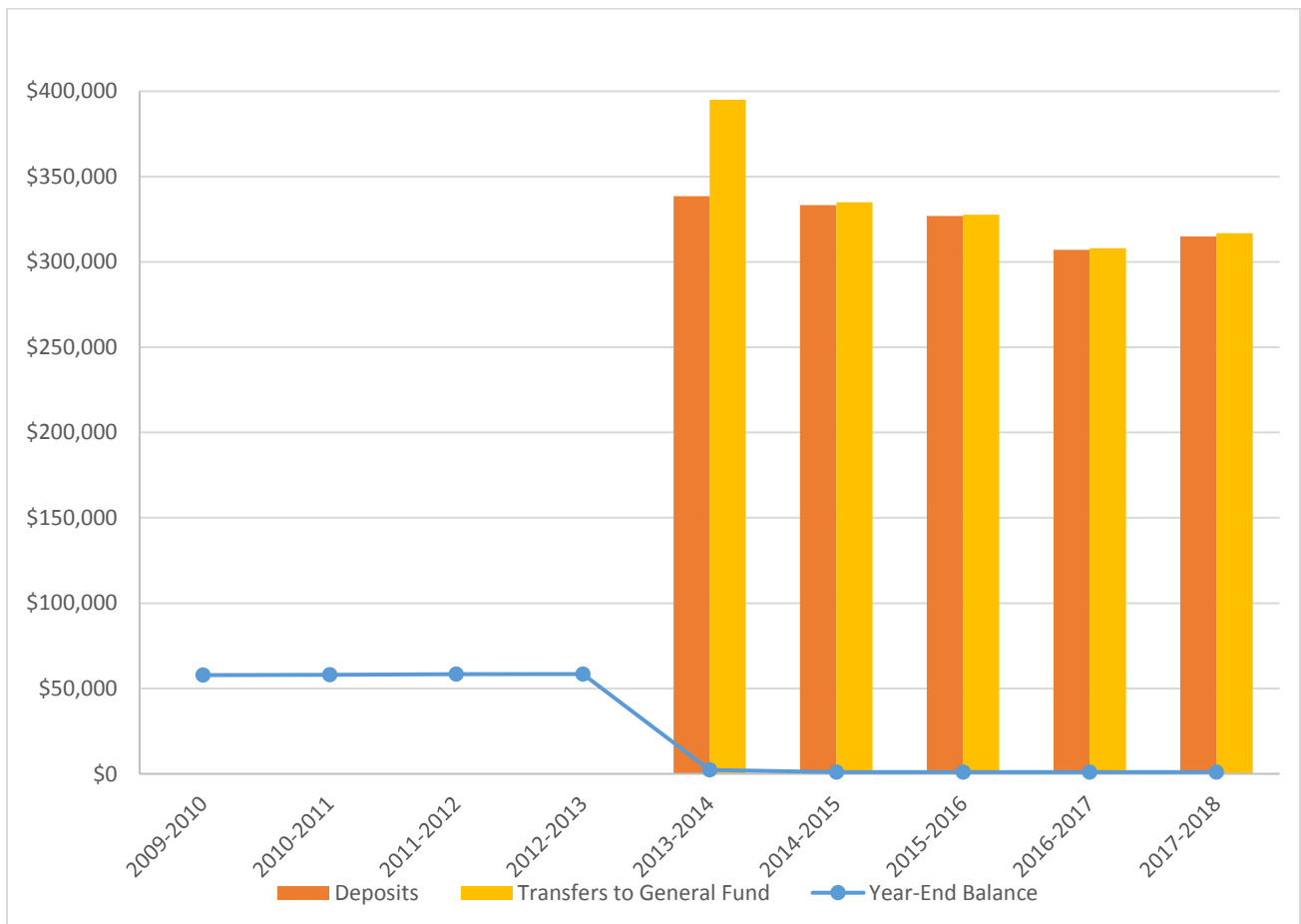
## Findings

**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.

**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.

### Micke Grove Trust

The Micke Grove Trust was established on January 14, 1986 “for the deposit of the monies from the William G. Micke Estate Trust.” It was further ordered “that no money shall be expended for any reason whatsoever from the Micke Grove Trust Account without the prior authorization by the Board of Supervisors.” Figure 6 below shows the deposits, expenditures, transfers, and the year-end balance for the Micke Grove Trust between the 2009-2010 and 2017-2018 fiscal years.



**Figure 6. Deposits, Transfers to General Fund, and Year-End Balance for the Micke Grove Trust**

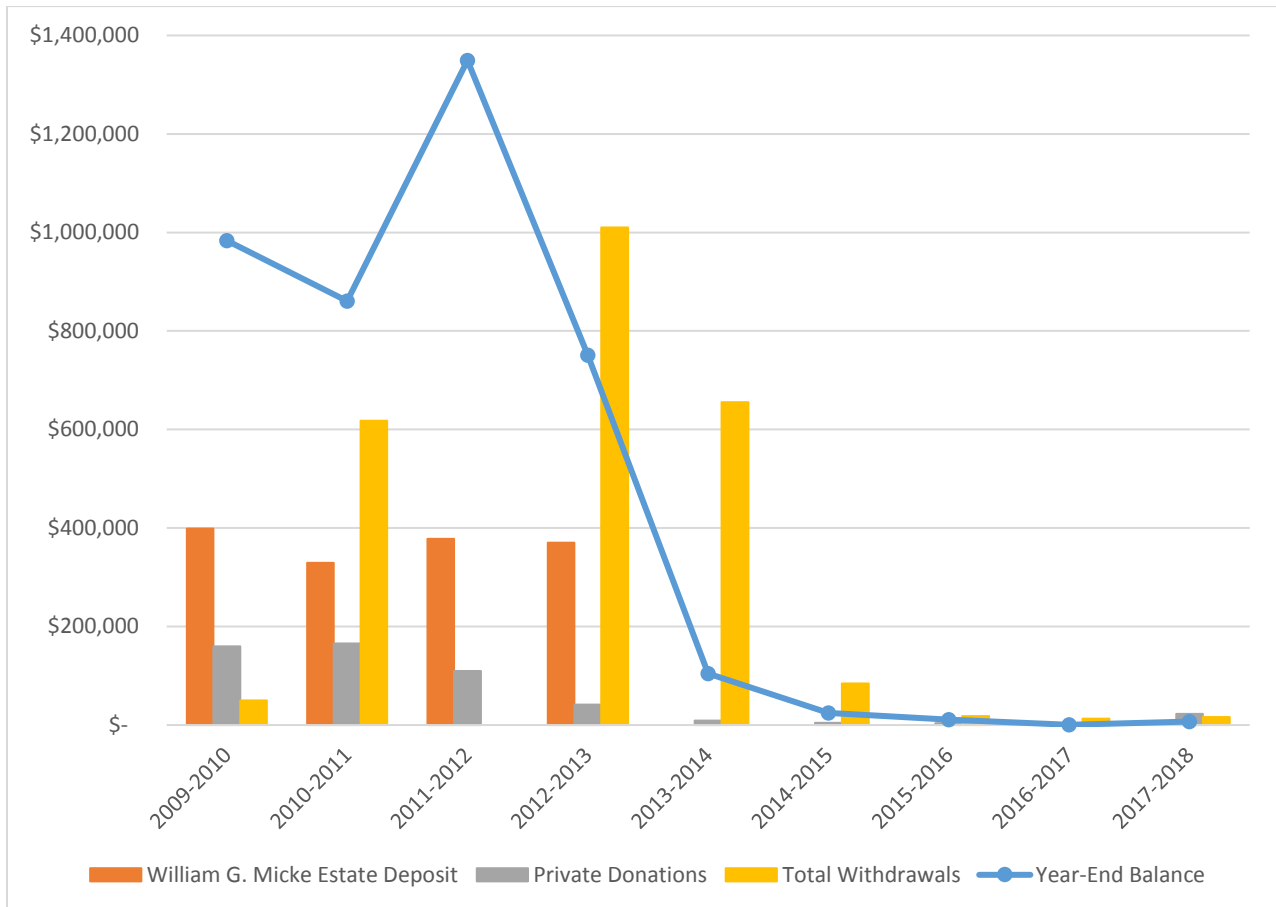
Based on the financial information and legal briefs reviewed by the Grand Jury, the County provided all monies required for the maintenance and operation of Micke Grove Park prior to the 2009-2010 fiscal year. Evidence was found that there were periodic requests by the County for funds from the William G. Micke Estate Trust to pay for equipment and capital improvements.

Internal Revenue Service regulation changes in 2008 began requiring the William G. Micke Estate Trust to annually distribute approximately 5% of the Fair Market Value to the County. Between 2009 and 2012, these required distributions from the William G. Micke Estate Trust were deposited into the Parks Donation Trust. Beginning in 2013, the required distributions were deposited into the Micke Grove Trust. During 2013-2014, the required distribution, along with the prior balance, was transferred from the Micke Grove Trust into the General Fund to supplement the Parks and Recreation budget for ongoing operations of Micke Grove. This practice continues. Between 2013-2014 and 2017-2018, nearly \$1,700,000 was transferred from the Micke Grove Trust into the General Fund to supplement the Parks and Recreation budget. The balance of the Micke Grove Trust at the end of fiscal year 2017-2018 was \$1,000.



## Park Donation Trust

The Park Donation Trust was established on March 11, 1980 to account for donations made for specific park improvements. Figure 7 below shows the deposits, withdrawals, and year-end balance for the Park Donation Trust.



**Figure 6. Deposits, Withdrawals and Year-End Balance for the Park Donation Trust**

At the end of 2011-2012, the Park Donation Trust had a balance of nearly \$1,400,000. During the past decade, almost \$2,500,000 has been transferred out, leaving a balance of less than \$7,000 at the end of 2017-2018.

## 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.

## **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.

### **Parks Special Projects Trust Fund**

The Parks Special Projects Trust Fund was established on December 4, 2018 as “a vehicle for funding special projects that will improve efficiencies, add new features, and/or upgrade existing facilities within the County’s park system.” Proceeds of the Trust will be used for these special projects and for ongoing support and maintenance of these special projects. The Board of Supervisors must approve all expenditures from this Trust. Funding for the Trust comes from the transfer of the Angrave property from the Parks and Recreation Division to the Department of Public Works. Four equal payments of \$512,500 will be deposited into the fund by December 31 of 2018, 2019, 2020, and 2021, for a total of \$2,050,000.

## **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.

## **3.0 Non-County Managed Trusts**

The William G. Micke Estate Trust (the “Trust”) is managed by the trust division of Wells Fargo Bank (the “Trustee”). As stated in the Petition for Instructions (San Joaquin County Superior Court Case #29176), the County of San Joaquin is the beneficiary and the Board of Supervisors is responsible for overseeing the management of the Trust. The Board of Supervisors must also ensure that the monies distributed from the Trust are used in a manner consistent with the requirements of the Trust.

As Trustee, Wells Fargo is responsible for prudently investing the assets in the Trust. Per California Probate Code 16047(a), “A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.” Wells Fargo receives an annual management fee of approximately 1% for managing the Trust.

At the end of 2016, the Trust consisted of a leased orchard and vineyard, securities, and cash. At that time, the value of the land was over 82% of the total value of the Trust, but the return on the land leases was only about 2% of the land's value. Wells Fargo, with the approval of the San Joaquin County Superior Court and the San Joaquin County Board of Supervisors, sold the orchard in 2017 and the vineyard in 2018. The Trust is now entirely in securities and cash. Between 2009 and 2017, the William G. Micke Estate Trust distributed nearly \$3,100,000 to the County. At the end of 2017, the balance of the Trust was almost \$6,600,000.

In order to receive their full management fee, Wells Fargo is required to file a biennial accounting report with the San Joaquin County Superior Court. These reports are legal filings and include a listing of each transaction made by Wells Fargo over the prior two years. However, the reports do not contain a clear and understandable summary of the total return on the investments in the Trust or a performance comparison to appropriate benchmarks.

## **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.

## **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.

## **4.0 Parks and Recreation Benchmarking Assessment Report**

In 2018, the General Services Department commissioned David Taussig and Associates to conduct the *Parks and Recreation Benchmarking and Assessment Report* (Taussig report). The purpose of the report was "to evaluate how San Joaquin County compares to other counties based on a wide range of quantitative and qualitative information regarding parks, recreation, facilities, employees and finances." This report generated a number of Key Findings, Common Themes, and Recommendations. The issues most pertinent to this investigation are:

- The Parks and Recreation Division does more with less, in comparison to the benchmarked counties
- Existing funding sources are unable to keep up with rising costs of services and maintenance
- A lack of long-term funding options for operations and maintenance
- The Parks and Recreation Division's general fund contribution per capita is the lowest among the benchmarked counties

- Staffing cuts would be inappropriate, and in fact, additional staffing would allow the Division to clear any backlogged tasks and prioritize work with high visibility to the community

Taussig identified three “benchmark” counties geographically close to San Joaquin County that have similar characteristics in terms of median household income, median property value, and land area. The three benchmark counties are Stanislaus, Placer, and Yolo. Table 2 below lists the per capita contributions from the General Fund of each county to their respective parks budget. This shows how much money each county contributes to the park budget per person living in the county.

**Table 2. Comparison of the Per Capita Contribution from the General Fund to the Parks Departments in the Benchmark Counties**

County	San Joaquin	Stanislaus	Placer	Yolo
General Fund Contribution Per Capita	\$3.19	\$5.30	\$5.02	\$4.73

San Joaquin County’s contribution is 33% lower than the next lowest county.

The report further identified that “the Division has approximately 6.61 full-time employees per Regional Park, which is low relative to the benchmarks. Stanislaus and Placer County have, for comparison, approximately 8.40 and 11.00 full-time employees per regional park.”

## Findings

**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.

**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.

**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.

## Recommendations

**R4.1** By March 31, 2020, the Parks and Recreation Division provide 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.

**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.

## **5.0 Loss of Historical Knowledge**

Over the past decade, the Parks and Recreation Division has undergone two reorganizations and experienced significant staff turnover, which included six different administrators. One result of such turnover is the loss of historical knowledge. Throughout this investigation the Grand Jury heard conflicting assertions regarding the management of donated property, the stipulations for grants received, and the restrictions on the Parks Trust Funds.

### **Findings**

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

### **Recommendations**

**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.

**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.

## **Conclusion**

Despite recognizing as far back as 2010-2011 that borrowing money from the Parks Trust Funds would eventually lead to their depletion, the Parks and Recreation Division continues to propose, and the Board of Supervisors continues to approve, the use of these trust funds to balance the budget. Ten years of borrowing has resulted in the Parks Trust Funds being depleted to the point where they can no longer provide the level of support needed to maintain the parks system. The Board of Supervisors and the Parks and Recreation Division need to develop and implement a plan for managing the parks system within a structurally balanced and sustainable budget. Only then can these trust funds be replenished and begin again to provide support for the growth and improvement of the County park system.

## **Acknowledgements**

The Grand Jury would like to acknowledge that the General Services Department and Parks and Recreation Division leadership recognizes many of the issues brought forward here. The 2019-2020 Parks and Recreation budget proposal includes a slight reduction in trust fund usage, exploration and implementation of some of the recommendations in the Taussig report, and ideas for revenue enhancement. That being said, the Grand Jury felt it was necessary to present this historical review to help the public, County staff, and the current Board of Supervisors understand the original intent of these trusts, how they have been used, and the fact that these funds have been depleted and can no longer be depended upon to support the Parks and Recreation budget.

The Grand Jury would also like to acknowledge the support of the County Auditor Controller's Office for providing a substantial amount of financial information about the Parks and Recreation Division and the Parks Trust Funds.

## **Disclaimers**

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 the 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 Sections 924.2 and 929).

## **Response Requirements**

California Penal Code Sections 933 and 933.05 require that specific responses to all findings and recommendations contained in this report be submitted to the Presiding Judge of the San Joaquin County Superior Court within 90 days of receipt of the report.

The San Joaquin County Board of Supervisors shall respond to all findings and recommendations.

Mail or hand deliver a hard copy of the response to:

Honorable Linda L. Lofthus, Presiding Judge  
San Joaquin County Superior Court  
180 E Weber Ave, Suite 1306J  
Stockton, California 95202

Also, please email a copy of the response to Ms. Trisa Martinez, Staff Secretary to the Grand Jury, at [grandjury@sicourts.org](mailto:grandjury@sicourts.org)

## Sources

1. San Joaquin County Superior Court Case #29176, for the Estate of William G. Micke, filed June 14, 1977, *Petition for Instruction*.
2. San Joaquin County Superior Court Case #29176, for the Estate of William G. Micke, filed July 6, 1977, *Order Instructing Trustee and Beneficiary*.
3. Internal Revenue Service Code 26 CFR 1.509(a)-4(1) and (j).
4. San Joaquin County Parks and Recreation proposed budgets.  
[https://www.sigov.org/departments/cao/county\\_budget](https://www.sigov.org/departments/cao/county_budget)
5. San Joaquin County Board of Supervisors Budget Hearing, June 28, 2011, item number 15.  
<http://sanjoaquincountyca.igm2.com/Citizens/SplitView.aspx?Mode=Video&MeetingID=1586&MinutesID=1522&Format=Minutes&MediaFileFormat=wmv>
6. *Creation of a Park Endowment Trust*, Board Order 86-1222, approved by Board of Supervisors, May 26, 1987.
7. *Resolution to establish Micke Grove Trust Account*, adopted by the San Joaquin County Board of Supervisors, January 14, 1986
8. *Establishment of a Parks Special Projects Trust Fund*, Board Order B-18-772, adopted by the San Joaquin County Board of Supervisors, December 4, 2018.
9. *Staff Report to Reduce Reliance on Parks and Recreation Trust Funds for Operations* dated March 26, 2012, presented to the San Joaquin County Board of Supervisors and approved April 10, 2012.
10. *Parks and Recreation Benchmarking and Assessment Report*, David Taussig and Associates, Inc., June 4, 2018.